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# Budget

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#### ECONOMIC AND POLITICAL WEEKLY

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# The Budget

The union budget for 1988-89 is notable for a sharp rise in nondevelopment expenditure, for a budgetary deficit which is larger by almost a quarter and for almost no increase in the budgetary provision for the plan. However, it is not that the government has blundered into this fiscal mess in a fit of absent-mindedness.

The stock market's reaction to the budget is a case of the generous reliefs and concessions falling short of the market's optimistic expectations roused by the finance minister's repeated assurances that the government would do everything possible to boost the market.

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# Soviet Collaboration: Boon or Bane?

The official Soviet position on the export of capital equipment and technology to the third world is that it promotes industrialisation and expands the state sector thereby strengthening the latter's position against monopoly capitalism. An alternative view is that on the pretext of consolidating non-capitalist forces, the Soviet Union has enmeshed third world countries in new relations of dependent exploitation. Against the background of these opposing formulations, an evaluation of Soviet collaboration in the Indian steel industry over a period of thirty years.

## Peasant Movements: A Contrast

The lifting of the 25-day sit-in by farmers in Mecrut is not the end of the agitation by the rich and middle farmers. But it is an exaggerated view of so-called peasant power to suggest that this will be the beginning of the assertion of a parallel political authority in the villages 456 of UP.

A protracted land struggle in Basuhari village in the 'naxalite' belt of Bihar brings out the process of development of the peasant movement: from the initial phase of passive submission through active opposition to taking the counter-offensive. 459

## Fragile Image

Opinion polls may show Rajiv Gandhi to be popular with the majority of the electorate, but the image is at best fragile and the opposition parties, if they can avoid splitting the anti-Congress(1) vote, can give the prime minister a rough time at the hustings.

#### Distant Transition

While there have been very significant changes as regards forms of property over capital in parts of the world as a result of wars of liberation and revolution, the most significant of these changes so far relate to the basic destruction of pre-capitalist relations than to the transition from capitalism.

## An Experiment at Stake

The Comprehensive Area Development Corporation (CADC) in West Bengal has not been able to bring about either comprehensive or integrated development even in the extremely limited area of its operation. And considering the investment in personnel and other facilities it is certainly not capable of being widely replicated. What, then, is the CADC's future in the West 461 Bengal polity?

## **Hasty Certificate?**

The Valiathan committee appointed by the minister of state for atomic energy has come out with a report that has been extensively used by Indian Rare Earths to make out that the company's Alwaye plant poses no health hazard for the workers or the general public. It appears, however, that the full facts and documents were not. made available to the committee.

#### The Elusive Rich

The National Sample Survey and other such large-scale sample surveys systematically underestimate economic variables pertaining to the richer sections of the population. even though the magnitudes of these variables are vital for measurement of development and for policy-making. Why does this happen and what can be done 487 about it?

# 'Bourgeois-Landlord' State?

SANJAYA BARU (EPW, January 23) on the seeming strength of a flimsy argument in terms of the so-called 'fiscal crisis of the state' which allegedly reflects the inability of the Kaleckian fantastic concept of 'intermediate regime' to get realised on Indian soil, argues that "what has come into existence in post-colonial India is essentially a 'bourgeois-landlord' state dominated by a surplus producing rural oligarchy and big business...", etc.

These two words, 'bourgeois and landlord', connote two distinct ideas disseminated along the length and breadth of the social consciousness as related to two different historical stages; it is simply that bourgeoisie represents capitalism while landlord, feudalism. As India has become characterised as predominantly an agricultural economy, the existence of feudalism has been merely taken for granted-primary economy getting identified with feudalism! Or the misconception may have stemmed from taking the prevalence of the remnants of the superstructure for the existence of the corresponding economic base-if one recall Lenin's brilliant observation that in the present era of imperialism and proletarian revolution, the bourgeoisie, having come to the throne and established a national state. cannot fully accomplish the anti-feudal tasks of the bourgeois-democratic revolution, the tasks now devolving on the proletariat, one can easily look into the feudal habits and customs allegedly mysteriously felt in some agricultural fields in India.

Even if we accede, for the sake of argument, to the mixed phenomenon of bourgeois-landlord state, Marxist-Leninist methodology determines the character of a mixed phenomenon by reference to its predominant character. When the state power in Russia was handed over from the Tsar to the bourgeoisie who were allied with by the 'landlords', Lenin did not hesitate to characterise it as a bourgeois state, instead of dubbing it 'bourgeois-landlord state'. The nature of an economic system is determined by analysing the prevalent production relations—simply speaking, the relationship between the hands that own the means of production and the hands that use them; in capitalism it is the relationship between. capital and hired (wage) labour. Even a cursory look at the production relations reigning in the agricultural sector in India where free labour is hired by the so-called landlords led by profit-motive, is enough to confirm the concrete reality of capitalists thriving in that field. The truth any serious study along the line of the Marxist-Leninist methodology perforce reveals, is that, the Indian economy, however, relatively, backward it is, has

already shown the signs of imperialism, the highest and last stage of monopoly capitalism. To quote Lenin whose dialectical materialist methodology of cognising the true nature of imperialism still stands: "Imperialism is a specific historical stage of capitalism... The supplanting of free competition by monopoly is the fundamental economic feature, the quintessence of imperialism. Monopoly manifests itself in five principal forms: (1) cartels, syndicates and trusts-the concentration of production has reached a degree which gives rise to these monopolistic associations of capitalists; (2) the monopolistic position of the big banks-three, four, or five giant banks manipulate the whole economic life of America, France, Germany; (3) seizure of the sources of raw material by the trusts and the financial oligarchy (finance capital is monopoly industrial capital merged with bank capital); (4) the (economic) partition of the world by the international cartels has begun. There are already over one hundred such international cartels, which command the entire world market and divide it 'amicably' among themselves-until war redivides it. The export of capital, as distinct from the export of commodities under nonmonopoly capitalism, is a highly characteristic phenomenon and is closely linked with the economic and territorial-political partition of the world; (5) the territorial partition of the world (colonies) Is completed!" Suffice it to look at the position and behaviour of Indian capitalism with reference to its membership in the international associations, and trade agreements, the monopolistic position of its banks, financial oligarchy and the export of capital. In spite of all this the economy is characterised as a bourgeoislandlord one.

The dangerous diffusion of such messy misconception in the subjective sphere of the society is largely due to the propaganda of wrong programmes by the so-called Communist Parties in India; for example, paragraph 56 of the programme adopted at the seventh congress of the CPI(M) characterises the present Indian state as "the organ of class rule of the bourgeolsie and landlords, led by the big bourgeoisie, who are increasingly collaborating with foreign finance capital in pursuit of the capitalist path of development". Compare this with Sanjaya Baru's argument.

One can disagree with the application of dialectical methodology in the analysis of concrete historical conditions, provided one does one's duty by lightening up a better alternative. Dispensing with a scientific methodology altogether especially in serious studies is undesirable. Moreover, it amounts to a culpable commission of negligence to use such terms out of their context as have become identified with particular phenomena. Or their unwarranted usage for want of alternatives, demands what Socrates demanded 'first define your terms'.

The inescapable 'necessary evil' of state intervention in the post-colonial capitalist countries, the perturbing problem posed by the position of the privileged proletariatall these become interesting and easy targets of analysis in the light of dialectical methodology. One need not struggle to seek far and wide help from so-called authorities to patch up arguments; just see how poorly misconceived is the idea of 'intermediate regime' which Sanjaya Baru conjured up from Kalecki-what is the real class character of these lower middle classes and rich peasantry? It is not only intellectual insincerity but also injustice to socio-economic reality, to smell fundamental difference between those on the upper rungs and those on the middle rungs of the same echelon (of capitalism). Time so works that, given the laws of 'natural selection', the middle rungs climb up to change into the upper onesmonopoly capitalist.

VIJAYAMOHANAN PILLAI N

Madras

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(includ	ling Bangladesh	and Nepal)
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Individuals	Six months	Rs 190
	One Year	Rs 225
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	Three years	Rs 625
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		One year
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	Institutions	individuals				
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(all countries)	US \$ 60	US \$ 40				
Air mail						
Pakistan and						
Sri Lanka	\$ 60	\$ 40				
Other Asian						
countries	\$ 70	\$ 60				
Africa, Australia,						
Europe and						
Japan	\$ 85	\$ 75				
South and North						
America and						
New Zealand	\$ 100	\$ 90				
All remittances to Eco	onomic and Po	iltical Weekh				



# Starving the Plan

The government's Economic Survey for 1987-88 cautions that "the continued rapid increase in current government expenditures poses serious risks for inflation and our ability to attain public investment goals in real terms". The budget for 1988-89, presented just a couple of days after the Survey, is a personification of all these dangers.

The rise in the government's non-plan expenditure in 1988-89 is going to be as large as 16 per cent over the revised estimate for the current year. The provision in the budget for financing the plans of the centre and the states, on the other hand, shows a rise of a mere 3.2 per cent. The centre's contribution towards the plans of the states and union territories will actually decline from Rs 9,881 crose to Rs 9,714 crore, but even the resources that the budget can spare for the centre's own plan in 1988-89 show a rise of no more than 6.4 per cent—in other words, a clear decline in real terms. However, despite starving the plan of resources, the overall budgetary deficit is expected to be larger by almost a quarter than the revised estimate for 1987-88, Rs 7,484 crore compared to Rs 6,230 crore. The government's failure to prevent so sharp a rise in the deficit is especially significant in the context of the rate of inflation, as measured by the wholesale price index, having all but touched the 10 per cent mark in the calendar year 1987 and having gone away beyond that level when measured in terms of the indices of consumer prices.

The deficit in the government's revenue account, even more than the overall budgetary deficit, brings out sharply the fiscal crisis in which the policies pursued by the government have landed it. The gap between the government's receipts and expenditure on the revenue account has widened from Rs 7,776 crore in 1986-87 to Rs 8,497 crore in 1987-88 and it is expected, in the budget for 1988-89, to bloat further to Rs 9,842 crore in the coming financial year. How far the government has lost control over its own financial affairs is undercored by the fact that the Long-Term Fiscal Policy Statement issued by the finance ministry had thought that it would be possible for the government to balance its revenue budget in 1987-88 and actually achieve a revenue surplus in 1988-89. Instead the revenue deficit is now expected to rise to a record level in 1988-89.

The concomitant rise in the government's dependence on borrowings in different forms and the compulsion to enhance interest rates to make possible borrowings on such a scale have led to a sharp rise in interest payments which have risen from Rs 2,604 crore in 1980-81 to Rs 11,450 crore in 1987-88 and are budgeted to go up further to Rs 14,100 crore in 1988-89 or, as a proportion of the government's total expenditure, from 11.8 per cent in 1980-81 to 17.3 per cent in 1987-88 and to 19.2 per cent in 1988-89. In the coming finan-

cial year fully one-third of the government's revenue receipts will go towards meeting its interest obligations compared to 1980-81 when the corresponding proportion was just a little over one-fifth. The more the government has needed to borrow to bridge the revenue deficit and to finance its expenditure on the capital account, the larger has grown the interest burden on the budget and—with defence spending and subsidies, the two other major items of revenue expenditure, too rising rapidly—the wider deficit on revenue account and the greater the need to borrow.

It is not the case that the government has blundered into this fiscal mess in a fit of absent-mindedness. It is the government's overall economic orientation which has precluded any serious efforts to raise resources for development through direct and increasingly even indirect taxation. On the contrary, the growth strategy being consciously pursued requires a continuous expansion of consumption by the richest 10 or 15 per cent of the population in order to sustain investment, production and profits of business and industry. The budget for 1988-89 sticks faithfully to this strategy, all the way from the raising of the standard deduction in respect of personal income-tax to the very large number of reductions in excise and customs duties. The most conspicuous recipient of fiscal bounty is, of course, the manmade fibres and yarns industry, the excise duty reductions for which amount to as much as Rs 243 crore.

The distribution of the central plan outlay for next year brings out, on the other hand, that public sector investment is being progressively confined to provision of infrastructure. Thus the outlay (including that to be financed by extrabudgetary sources, mostly market borrowings by the concerned public sector undertakings) on power, transport and communications is scheduled to be stepped up by nearly 18 per cent and just these three sectors will account for as much as 58 per cent of the total central plan outlay next year. By contrast, a reduction is proposed in the outlay on industry and minerals from Rs 4,912 crore in 1987 88 to Rs 4,789 crore in 1988-89. What is also worthy of note is that the finance minister's rhetoric about the importance attached by the government to agriculture and rural development notwithstanding, the total central plan outlay for agriculture, rural development and irrigation and flood control taken together is if anything proposed to be cut next year, from Rs 3,075 crore in 1987-88 to Rs 3,057 crore. Most interestingly, the resources that the centre can spare for employment generation programmes in the rural areas (which, the finance minister informed parliament in his budget speech, are "the main instruments for... increasing the earning opportunities for those below the poverty-line") are to be slashed from Rs 1,335 crore in 1987-88 to Rs 1,259 crore in the coming year.

#### **INDUSTRY**

# **Bailing Out Sick Units**

THE increasing incidence of industrial sickness is a pointer to the inefficiency and waste of resources in a capitalist system. Between December 1980 and December 1986 the number of sick industrial units in the portfolio of scheduled commercial banks increased from 24,550 to 1,47,740, a six-fold increase in six years. The amount of credit outstanding against these units increased from Rs 1,808.66 crore to Rs 4,874.49 crore over the same period. Out of a total number of 1,45,427 units for which viability studies have been made, only 17,708 or 12 per cent have been found to be viable. The remaining 1,27,719 units or 88 per cent which are non-viable will presumably have to be closed down.

The bulk of outstanding bank credit is locked up in large sick industrial units, i e, units individually enjoying credit limits of Rs 1 crore and above from the banking system. 409 large sick units accounted for 73 per cent of the total amount of outstanding bank credit with sick units as on December 31, 1980, 714 large sick industrial units accounted for .67 per cent of the total amount of bank credit outstanding against sick units as on December 31, 1986. The banks arenaturally concentrating on reviving these units. Out of the 714 large sick industrial units, banks had determined the viability or otherwise in respect of 653 units as on December 31, 1986. Out of these 653 units, 383 or 59 per cent were found to be potentially viable accounting for Rs 1,819 crore or about 55 per cent of the total credit outstanding with all large sick industrial units. 225 of these 383 units with an outstanding credit of Rs 1,223 crore have been put under rehabilitation programmes by the banks.

In the small-scale sector, 18,76,655 units had been provided Rs 9,098 crore of bank credit as on December 31, 1986. Out of these, 1,45,776 units or 8 per cent are sick with bank credit of Rs 1,306 crore outstanding which is 14 per cent of the total credit outstanding to small-scale units. Of the sick small-scale units, only 16,946 units or 12 per cent with outstanding bank credit of Rs 303 crore (23 per cent) were considered viable by the banks. Of these potentially viable sick small-scale units, only 2,761 units or 16 per cent with an outstanding credit of Rs 210 crore were being rehabilitated by the banks as on December 31, 1986.

Quite clearly, the incidence of industrial sickness is of gigantic proportions. In most cases the sickness can be attributed

to managements. An RBI study traced the bulk of cases of industrial sickness to mismanagement, diversion of funds and financial improprieties, faulty project planning, technological obsolescence and demand recession. The promoters hardly invest 5 per cent of the capital employed, the bulk of the capital coming from the financial institutions, banks and the public. The banks do not exercise their authority and the promoters know, from past experience, that they will invariably be bailed out. In the absence of punitive measures, there is a tendency to divert funds and indulge in financial improprieties.

Some cases of industrial sickness are clearly beyond the means of banks, financial institutions or the Board for Industrial and Financial Reconstruction (BIFR). This is where the causes of industrial sickness are industry specific and are not confined to individual industrial units. Thus, for example, is the problem of demand recession endemic in the cotton textile and jute industries.

The expertise available with banks and financial institutions is often confined to financial management and there is a tendency to think that financial reorganisation is the panacea for industrial. sickness. Managements of sick units are unwilling to give up control or to sell out and in such cases financial reorganisation is generally suggested. Amalgamations and mergers, given substantial tax concessions, especially within the same business group, is of course ideal but the promotors are not often willing to bring in fresh capital to implement the revival process and expect the financial institutions and banks to invest even beyond prudent limits.

# POLITICS Middle Class Obfuscations

A Correspondent writes:

THE police in India consider the right of raping women as one of the perks in an underpaid job. In a village In the Deoghar district of Bihar, cops indulged in a mass rape and looting spree on February 19. Unlike in the past when cops could get away with such conduct—considered minor indiscretion in their code of behaviour—this time, to the surprise of all, suspension orders have been Issued against them by the new chief minister of Bihar, Bhagwat Jha Azad whose only claim to distinction so far had been his unimpeachable record as an incompetent.

union minister. His recent action in such circumstances can only be interpreted as reflecting his desperate urge to refurbish his image.

It seems that everytime people suffer a grievance, we need a new minister to undo the mischief committed under his predecessor. However inept or corrupt the new incumbent might be otherwise, he is sure to take a few populist measures, at least during the initial stage of his tenure, to bolster up his image as a mini-Mr Clean, following the precedent set by the leader of his party.

Judging by this type of ministerial behaviour in the ruling party, we feel that the only hope for the striking lawyers of Delhi now lies with the replacement of union home minister Buta Singh by a new face who would endear himself to the capital's legal profession by suspending (or transferring) the city's deputy police commissioner, Kiran Bedi, who had earned the displeasure of the lawyers by her order of lathi charge on the lawyers on January 21. The original source of all the troubles-the arrest of a lawyer on charges of theft and his handcuffing by the police (the latter regarded illegal according to an earlier Supreme Court judgment)-has now receded into the background before the onrush of the later events: the police lathi charge followed by an unprecedented widespread strike by lawyers, and capped by a Congress(1)-led assault on the lawyers. A series of high level talks, both among the senior lawyers and with the administration, has not apparently helped so far to diffuse the situation. The majority of the striking lawyers appear to be satisfied with nothing short of Kiran Bedi's suspension.

The lawyers' demands have evoked curious responses which reflect the ludicrous constellation of attitudes prevalent among the urban middle classes. Obsessed with the maintenance of law and order and with their own security, to the extent of waiving all democratic and legal norms, members of these classes have no qualms in demanding 'stern police action' or 'tough security laws' to quell all disturbances. Tough cops (like Ribeiro) and strong arm methods (like the Anti-Terrorist Act) are becoming increasingly popular with them. Quite predictably, they have come out in defence of Kiran Bedi wito is regarded by them as a "conscientious serving woman officer carrying out her duties in face of unjustified malignment" (the words used by certain MPs in Lok Sabha recently).

Kiran Bedi eminently fills the bill. Like a spring-wound robot with the necessary

programme already fed in, she will continue to order beating up of student demonstrators or lawyers and protect corrupt and sadistic policemen, until the distant switches are put off someday, may be with the arrival of a new home minister. The present incumbent Buta Singh still remains staunchly behind her. Her minions are quite understandably happy with her. As a police official at Samepur-Badli, station in north Delhi (from where the Congress(I) gathered demonstrators with the help of the police to launch an assault on the striking lawyers on February 17) said: "All of us are willing to die for Mrs Kiran Bedi".

Concepts like class solidarity do not apply to the Delhi middle classes. The same lawyers who are on strike today, watched with growing resentment the strike of the college teachers a few months ago, when they complained that their sons and daughters were suffering because of the strike. Today the college teachers are annoyed with the lawyers because their cases pending before the courts might get delayed.

Concepts like class contradictions are also paling into insignificance before the ongoing march of religious or linguistic contradictions. Even the basic conflict between the state's repressive forces on the one hand, and the citizens' democratic rights on the other, now appear to be obfuscated by yet another new conflict-that between the sexes. Women's organisations-known for their radical feminist postures and vociferous otherwise against police atrocities—have curiously enough remained silent. Some among them in private come out in defence of Kiran Bedi, upholding her as an honest 'woman police officer' who is being belaboured by male chauvinist pigs.

# Burdening the Weaker Section

THE speech of Madhavrao Scindia presenting the railway budget for 1988-89 to parliament on February 24 was an exercise in obfuscation. While 'keeping in mind the interests of the weaker sections' the minister of state for railways has slapped a 33 to 100 per cent increase in second class fares upto a distance of 50 km (the poor generally travel short distances). The urban poor and middle class have been burdened with a 20 to 25 per cent increase in second class monthly season tickets up to 35 km.

Scindia highlights the improvement in

the productivity of freight operations. Nettonne kilometres per wagon per day increased from 1,296 in 1985-86 to 1,420 in 1986-87, an improvement of 10 per cent. He however does not mention the gradually deteriorating operating ratio (total working expenses as a percentage of gross traffic receipts) which was 90.6 in 1985-86, 91.9 in 1986-87, 92.6 in 1987-88 and is estimated to be 92.9 in 1988-89. The total working expenses of the railways have been increasing at around 13.5 per cent annually between 1985-86 and 1987-88. It is imperative to control working expenses and not to depend on increasing passenger fares and/or freight rates every year in order to bring the operating ratio to a reasonable level.

According to Scindia, however, the financial performance of the railways is to be commended. In 1986-87, after paying full dividend of Rs 578.85 crore to the general revenues of the government, there was a surplus of Rs 101.99 crore. The surplus of the railways is arrived at after providing for dividend at the low rate of 6-6½ per cent of the dividend paying capital. The fact is that in spite of such a low rate of dividend the railways are indebted to the general revenues on account of deferred dividend liability to the extent of Rs 428.44 crore.

The transport capacity of the railways is lagging behind the requirements of the economy due to inadequate investment. The proportion of plan expenditure currently being allocated for building fresh capacity is meagre. Priority is being given to replacement and renewal of assets. Scant attention was paid to renewal and replacement in the past. For instance, the contribution to the depreciation reserve fund was a mere 3 per cent of the total capital in the mid-seventies. Inadequate depreciation was a major contributory factor leading to a huge backlog of replacements and slow pace of modernisation. It was only when the situation became critical that contributions to the depreciation reserve fund were stepped up to 10 per cent of capital at the end of the Sixth Plan. The allocation to depreciation has been between 10-12 per cent during the

Over 50 per cent of the Seventh Plan outlay of the railways was expected to be financed from internal resources. The railways have however resorted to the soft option of market borrowings to finance a part of the plan. Market borrowings contributed Rs 250 crore in 1986-87 and Rs 720 crore in 1987-88 and are estimated to contribute Rs 800 crore in 1988-89 to the annual plans. Our calculations show

that internal resource generation contributed 47 per cent of the plan outlay in 1986-87 and 43 per cent in 1987-88 and is expected to contribute 43 per cent of the plan outlay in 1988-89.

With reference to technological upgradation, Scindia claims that the allocation to R and D in the plan has been stepped up by 50 per cent in 1988-89 over the previous year. However, the R and D allocation in 1988-89 is a mere 0.16 per cent of the railways' turnover. Needless to say, much of the infusion of new technology, be it in telecommunications, signalling, locomotives or computerisation, is imported. Dependence on foreign finance and technology is the result of a choice of technology that is geared towards providing a few high speed trains than an optimum utilisation of route capacities.

# POWER Auditor's Plaints

THE Indian Audit and Accounts department has just released a digest of the Comptroller and Auditor General's audit reports on eighteen state electricity boards (SEBs) covering the period 1980-85 which if nothing else serves to provide substantiation for what has been the general impression. The picture which emerges is one of a gamut of inefficiencies, shortfalls in achievement of physical targets, cost overruns, spiralling losses, poor maintenance and continuing low plant load factor and distribution and transmission losses. All of this acquires importance against the background of the current attempts to raise funds for the power sector, the latest of these being the newlylaunched Power Finance Corporation which aims specifically to provide funds for the SEBs.

The CAG has found that costs of thermal projects have invariably exceeded the originally approved estimates by 100 to 300 per cent and in some cases even more. While the delay, of two to five years, in commissioning the plants accounted for part of this escalation, a substantial part of the increase is due "to changes in design and additions of new items" not planned for initially. In many cases project estimates submitted to the Planning Commission were more guesstimates. For instance, the Madhya Pradesh State Electricity Board's estimate for the Satpura thermal station was entirely based on that, for the Vijayawada thermal project which had already been approved. Similarly there are other instances where the SEBs

deliberately underestimated the costs in the original proposals. In the case of hydel projects, the addition to capacity has been less than 60 per cent of the target and the cost overruns often more than 300 per cent. For instance, in the case of Bina hydel project approved by the planning commission in 1977, the drawings were not ready even by December 1980, although according to the project schedule, 75 per cent of the work should have been completed by then. Frequently, the capacity of the projects was revised upwards.

The report has also drawn particular attention to the lack of financial control and modern project control techniques which has led to a distortion of project costs. This is not in itself surprising. It is well known that estimates for the initial proposals are often put forward more with a view to being accommodated within the limits of budgetary sanctions for power in that particular period. The attempt is often to get as many projects approved as can be accommodated within the resources earmarked for the sector. And invariably funds get thinly distributed. But all this also means that the supposed gap in availability of financial resources for power generation is much larger than what a comparison with the allocations in the plans would indicate.

The audit report notes that the overall plant load factor (PLF), an index of the performance of the plant, increased by 5.5 per cent, the increase being particularly marked in the southern region. It has, however, decreased in the north-eastern region since 1980-81. Three factors have been identified as affecting the PLF: abnormally high duration of planned outages, forced outages and poor thermal efficiency of the plants due to various reasons. The report points out that the first two factors are related to the poor upkeep and efficiency of the equipment. Although boilers are to be mandatorily overhauled every year, none of the SEB plants comply with this requirement. Consequently, when they were in fact shut down for maintenance the duration of closure was longer. Moreover, poor maintenance also led to increase in the duration of forced outages. The frequency of these unplanned disruptions in plant operation was also partly due to the poor quality of the coal which caused damage, often severe, to plant. Interestingly, this also led to increased use of coal as well as a greater dependence on furnace oil, adding to the cost of generation of power. Often, the coal mills were not designed to handle the larger quantities of coal and this greatly reduced the efficiency of the machines.

It is curious that the CAG should regard lack of "properly motivated and trained staff" as a major cause of inefficiencies. The main reason for lack of preventive maintenance is the pressure on the units to generate so that the planned shutdowns are postponed. This is not a factor amenable to technical solutions. In the circumstances, increased power generation capacity is bound to multiply the inefficiencies. On the other hand, it is possible that greater availability will bring down the demands on existing plants.

Transmission losses have also been computed and continue to be high at an

average of 21 per cent. Some states such as Kerala, Uttar Pradesh, West Bengal and Gujarat have registered higher transmission losses since 1980, though no explanations has been forthcoming about these. Maharashtra, however, is among the few states where the problem of systems losses has been reasonably well controlled.

The CAG report has also drawn specific attention to the complaints made by the SEBs about BHEL equipment, both in regard to delays in delivery as well as quality of equipment. Considering the fact that the CAG has not independently verified these complaints, how seriously should one take these criticisms?

# **BUSINESS**

# STOCK MARKET AND BUDGET Asking for Too Much

N D TIWARI's maiden budget, guided by the desire to revive agriculture, improve the industrial climate, reduce industrial sickness, upgrade technology, reduce costs the prices within the overall resources constraint, has left the stock market cold. The selective recovery noticed in the special budget session on February 29 turned out to be short-lived with most equities drifting lower due to lack of support and scattered selling. On March 1, equity price indices stood at or very close to their year's lows recorded on February 25. The market might well have witnessed an avalanche of selling resulting in a sharp decline in prices if the government had succumbed to the mounting pressure from the stockbroking community for further relaxation of curbs on trading in 'specified scrips' by implementing the second phase of the Dave Committee's recommendations.

The stock market's reaction to the budget appears to be a case of the proposals in regard to various reliefs and concessions falling short of its optimistic expectations roused in no small measure by the finance minister's assurances that the government would do everything possible to reverse the declining trend in the market. Encouraged by the government's obsessive concern for the depressed state of the capital market, the stock exchanges had submitted a detailed memorandum to the finance minster seeking almost every conceivable concession for reviving investors' confidence and strengthening the cult of equity to enable the market to play the crucial role expected of it in mobilising massive funds for the corporate sector. That the market should have staged a

sizeable retreat from its mid-January high mark, retracing nearly four-fifths of the ground gained in the preceding sharp upswing, suggests that it did not really expect the finance minister to concede most of its demands.

It could well be that the market has still to realise the full implications of the fiscal strategy spelt out by Liwari to revive the ailing economy. The stock market may not be much concerned with the size of the plan outlay and/or the fiscal reliefs for promotion of agriculture and agro-based industries even though they have an important bearing on the economic tempo. But the budget is certainly not bereft of proposals designed to encourage savings, stimulate the capital market, promote exports and revitalise specific industries suffering from demand recession and these are of considerable relevance from the viewpoint of the stock market.

With a view to encouraging investment in the industrial sector, section 80 CC of the Income-Tax Act is sought to be amended to extend the benefit of deduction to investment in the units of any mutual fund set up by public sector banks or other financial institutions, provided that such funds subscribe only to "eligible issue of capital". Section 80 L is proposed to be amended to (a) provide for deduction in respect of interest on deposits under the Post Office Rule, 1987 within the existing ceiling of Rs 7,000, (b) provide for a further deduction of Rs 3,000 also in respect of income received from units of a mutual fund and interests on deposits with or dividends from any public company formed with the main objective of carrying on the business of providing long-term finance for construction or purchase of houses in the country for residential purposes, and (c) provide for an additional deduction of Rs 3,000 in respect of dividend income.

There is a scheme under which five per a cent of the public issue is earmarked for the employees of the company and banks are to provide requisite finance to employees to purchase these shares. Another proposal seeks to introduce a new scheme of foreign currency denominated bonds/deposit certificates to attract NRI funds on a non-repatriable basis. These bonds/deposits will be free from income tax, wealth tax and gift tax. Untapped rural savings are to be mobilised through a new instrument called Kisan Vikas Patra. In order to provide some protection to individual projects from exchange rate fluctuations, financial institutions are to introduce a new scheme enabling promoters to have their foreign currency loans designated in rupees. All these measures are intended to help boost investment in new industries.

Then there are proposals aimed at promoting exports and augmenting foreign exchange earnings. Section 80 HHC is bcing amended to enhance the existing concessions for export profits and allowing a five-year tax holiday for 100 per cent export-oriented units. According to an Economic Times study of 127 companies, the benefit of deduction under section 80 HHC as per the modified exemption formula works out to Rs 62 crore as against the benefit of Rs 37 crore under the existing provision. By far the most significant proposals relate to concessions and reliefs by way of reductions in the levy of excise and customs duties covering a wide range of raw materials and consumer items. These are aimed at reducing costs and prices and thereby stimulating demand and production to combat recessionary trends. Textiles, cement, electronics, drugs, paper, plastics, tea, edible oils, machinery items-all these stand to benefit greatly from the proposed concessions. The largest concession in the budget goes to the man-made fibres and yarns sector, accounting for a relief of Rs 250 crore out of .total excise concessions of Rs 510 crore.

The stock exchange fraternity can scarcely accuse the finance minister of not taking appropriate measures to improve the investment climate. The market appears to be less concerned with what the budget contains than with what it does. not. It is particularly sore over the retention of section 115-J pertaining to book profits. The budget claims to be production-oriented, export-oriented and agriculture-oriented. But that may not be saying much really. For monsoon continues to hold the key to agricultural production and many of the ills afflicting the economy are due to poor management. All that one can say is that if the next

monsoon is good and the economy is better managed, the overall economic tempo can be expected to register a significant

improvement.

The outlook for equities depends essentially on the performance of the corporate sector and the budget does hold out the hope of improved corporate performance. There is no dearth of investible funds with institutional investors and this indeed is a major bull factor for the market. Prospects of any major decline from the current levels can be rated low. Market sentiment, however, is still subdued. Institutional intervention can help bring about a significant change in the trading sentiment now that the budget is out of the way and there is little in the budget which could be dubbed as bearish except that it is not all that bullish as the market had come to expect.

#### **SUGAR**

# Short-Lived Recovery

THE sugar season 1986-87 (October to September) ended with an all-time high production of 85 lakh tonnes surpassing the previous peak of 84.38 lakh tonnes reached in 1981-82. With this level of production, the country emerged as the largest producer of sugar in the world surpassing Brazil which produces around 80 lakh tonnes of sugar per annum.

The performance of the sugar industry appears all the more impressive because it was able to push up production by as much as 15 lakh tonnes in a single yearfrom 70.03 lakh tonnes produced in 1985-86. This extraordinary performance was aided by the new sugar policy of the government which provides incentives to both the sugarcane farmers and sugar producers. Particularly, the change in the proportion of levy to free-sale sugar from 70:30 some five years ago to the present 50:50 has enabled sugar mills to pay relatively attractive prices to farmers.

The statutory minimum price for cane was raised to Rs 18 per quintal for the 1986-87 season from the previous year's level of Rs 17.50 per quintal linked to a basic recovery of 8.5 per cent. The actual price paid by mills, however, was on an average Rs 26 per quintal. For the entire season (1986-87), cane farmers received over Rs 2,100 crore as sales value of cane, the highest so far. The arrears outstanding to cane growers as on October 1987 amounted to only Rs 16 crore against Rs 111 crore in 1982-83.

Since sugar production had declined substantially after attaining a peak level of 84.38 lakh tonnes in 1981-82 to 59.09 lakh tonnes in 1983-84 and 61.43 lakh tonnes in 1984-85, the country had to depend

# TWENTY YEARS AGO

EPW, March 9, 1968

The budget has been followed by a cm in bank rate aimed at bringing down the whole structure of interest rates. This, together with removal of the more obvious pinpricks which were irritating the corporate sector and private investors, has been received with enthusiasm by the stock exchange. Even the capital market, however, needs stronger logic and faster growth of income and investment to sustain its en1husiasm

The purpose. .is obviously to give the capital market and short-sighted businessmen the impression that they are 10 be relieved of pressing financial worries and that some shaggy wool is being taken off their lax burdens. The basic problems of the economy, starved of growth for several years, remain untackled Some growth is, of course, assured for the next year-thank God and the new seeds and fertilisers- but the budget is hardly to blame for that

Overzealous nationalists in this country seem to have developed a kind of persecution complex in relation to all our neighbours. Hardly had the uproar on the Kutch Award died down when the fate of a tiny uninhabited island off the coast of India and Ceylon has begun to make news Jawaharlal Nehru said in the ludian parliament over a decade ago in a reference 10 the problem: "There is no question of the government of India or the government of Ceylon coming into conflict over a tiny little island. There is no national prestige involved in this matter, especially with our neighbour Ceylon". All that has changed between then and now is the state of the Indian Indo-Ceylon relations have been steadily improving in recent years. But it is necessary for Indians to realise that if they can show pathological symptoms after their experience with some neighbours so can Indophobes in Ceylon feel easily upset about Indian reactions.

Imports of capital goods declined from \$ 1,072 million in 1965-66 to \$ 783 million in 1966-67 and further to \$ 337 million in the half-year April-September 1967. Does this represent a definite trend?...Several factors have contributed to the reduction in import requirements of projects. The basic capacity for manufacture of a wide variety of equipment has been increasing consistently. Recession-induced cuts in orders for routine types of equipment have forced many-enterprising manufacturers to take up fabrication of more sophisticated equipment, which would otherwise have been imported. Some of the public sector units like Heavy Electricals, Bhopal, and Bharai Heavy Electricals have emerged as important suppliers of capital goods. Thanks to the substantial reduction in its workload, DGTD is scrutinising equipment lists more closely before granting import clearance. The general deterioration in the order-book position has compelled Indian manufacturers of capital goods to quote shorter deliveries, which have made them competitive with overseas suppliers. Finally, in many cases, devaluation has made imported equipment costtier than indigenous supplies . It is for Indian producers of capital equipment to make good use of this opportunity by improving and maintaining the quality of their products, expanding their design setups and strengthening their servicing facilities.

TABLE: THE SUGAR SCENARIO, 1984-85 ro 1986-87

(lakh tonnes)

	1984-85	1985-86	1986-87
Opening stock	23 74	15.79	18.96
Production	61.43	70.03	85.00
Imports	11.87	16 19	10.02
Total availability	97.04	102.01	113.98
Offtake	81,25	83.05	87.03
Internal			
consumption	80.93	82.72	86.81
Exports	0 32	0 33	0.22
Closing stock	15.79	18.96	26.95

on substantial imports to meet the growing domestic demand. Rapid urbanisation and improvements in living standards have been pushing up the demand for white sugar. Internal consumption increased from 80.93 lakh tonnes in 1984-85 to 86.81 lakh tonnes in 1986-87. Imports increased from 11.87 lakh tonnes in 1984-85 to 16.19 lakh tonnes in 1985-86. They were a little lower at 10.02 lakh tonnes in 1986-87, thanks to a big jump in production. Since the closing stocks of sugar as on September 30, 1987 showed an improvement at 26.95 lakh tonnes as compared to 18.96 lakh tonnes on September 30, 1986, imports are expected to be much lower during 1987-88.

The outlook for 1987-88 season, however, does not appear to be very encouraging. While domestic sugar requirement is estimated at 92'lakh tonnes, drought in two-thirds of the country has damaged the prospects for a good sugarcane harvest. Though sugarçane being an irrigated crop may not be affected as severely as others, a drop in the quality of cane is feared. According to S S Marathe, the secretary to the All-India Co-operative Sugar Mills Federation, the sucrose content of cane will fall as water is being rationed to cane fields. In Maharashtra, accounting for a little less than one-third of the country's total sugarcane production, cane fields are irrigated by tube wells and poor rainfall this year has affected the subsoil water table. The situation is also reported to be bad in UP.

Though official circles had initially projected the production of sugar, during 1987-88 season at 90 lakh tonnes and now put it at 85.1akh tonnes, the actual production may be in the range of 80 to 82 lakh tonnes. According to estimates, the total cane production in the country during 1987-88 may be about 175 million tonnes which is close to the 1986-87 figure. However, because of lower sucrose content sugar production may be somewhat lower. According to reports, on an average, the recovery has declined by 0.5 to 0.6 per cent while the decline has been as much as 2 to 2.5 per cent in the case of some

factories in western UP.

The government has initiated certain measures to ensure that production is not affected seriously. It has raised the levy sugar price by 25 paise from Rs 4.85 to Rs 5.10 per kg effective from January 1988 and the minimum statutory sugarcane price by 50 paise from Rs 18 to Rs 18.50 per quintal linked to a recovery rate of 8.5 per cent for 1987-88 season. The actual price paid by mills for cane is expected to be much higher, averaging around Rs 27 per quintal.

While these decisions will provide incentives to sugar mills and the cane growers, the consumer will have to pay a higher price for sugar whether he buys from the open market or from the ration shop. Thanks to liberal releases of domestic and imported sugar, sugar prices in the open market have been maintained at around Rs 7 per kg. However, prices may rise during the current season in view of lower imports, and increased production costs. The recent rise in international prices of sugar will also impart a firmness to domestic prices. Though the union government had decided to import 5 lakh tonnes of sugar from abroad through STC, due to the sudden spurt in world prices, imports may not materialise. For the world prices went up from \$ 250 per tonne on January 1 to \$ 300 per tonne within the next two days.

It may be noted that the higher production achieved last year was largely made possible by restoring to high cost measures. Hardly any efforts were made to increase productivity in the industry. Nearly half of the sugar mills in the country are over 25 years old. While technology has made tremendous advances in the leading sugar producing countries, the sugar industry in India continues to employ outdated technology. The Rs 500 crore Sugar Development Fund constituted by the government with a view to providing seed capital assistance to sugar factories for modernisation has remained largely unutilised. So fat only loans amounting to Rs 8.99 crore have been sanctioned for modernisation and Rs 74 crore for cane development.

Mcanwhile, the sugar lobby has become active on the eve of the union budget and has been crying itself hoarse for more concessions. The sugar industry has called upon the government to even allow increase in the free-sale price of sugar by regulating monthly releases to improve the viability of the industry. It has warned of an impending crisis arising out of rising production costs on account of lower recovery and a wider disparity between the statutory minimum cane prices and the prices actually paid.

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### **HDC**

# **New Ventures**

HINDUSTHAN DEVELOPMENT CORPORATION (HDC) will set up a composite steel plant with an annual capacity of 1.25 lakh tonnes at Banmore in Morena district of MP in collaboration with Hamburger Stahl Werke of West Germany. The company has also secured the government's approval for import of capital goods for implementing the zincaluminium alloy coated steel sheets/coils project with a capacity of one lakh tonnes per annum. The government has also approved foreign collaboration for cyanuric chloride. Meanwhile, the project for manufacture of diphenyle guanidine is in an advanced stage of implementation and is expected to go into commercial production during the current year. Foreign collaboration for this project with Lucobni Zavody of Czechoslovakia has already been approved by the government. In pursuance of the scheme of amalgamation,

Hindustan Kokoku Wire and Gerald Engineering have been merged with the company. HDC's engineering unit at Calcutta achieved higher production and sales and also improved its order position during 1987. Having upgraded its technology for air pollution control equipment, this unit received orders, for the first time for electrostatic precipitators and bag filters for steel plants.

The performance of the Bamunari plant of the engineering unit has been better than last year. Production of steel castings increased from 4,325 to 6,789 tonnes and is expected to improve further during the current year. Sales went up from 4,126 to 5,437 tonnes. The wagon plant was successfully commissioned and a production of 244 VU's (610 FW's) was achieved. The company's engineering division in northern India fared better during the year. Production and sales increased. The product mix is gradually being changed to include select wires such as auto tyte bead wire and other varieties

which are made by a select few manufacturers only who have the requisite plant and technology.

Petrocarbon and Chemicals Company, HDC's chemical division at Haldia in West Bengal, produced 59,403 tonnes of calcined petroleum coke against 52,662 tonnes in the previous year. With the help of latest technical innovation, the division could achieve higher production of CPC without any capital expenditure and accordingly the licensed capacity has been enhanced from 50,000 to 75,000 tonnes per annum. The commissioning of Nalco will result in substantially increased demand. Sales of carbon paste divison has further picked up from 2,457 to 3,700 tonnes. Cyanides and Chemicals Company, the chemical division at Olpad in Surat district of Gujarat increased its production of sodium cyanide to 4.628 tonnes and sodium ferrocyanide to 478 tonnes as compared to 4,109 tonnes and 125 tonnes, respectively, in the previous year. The production of sodium ferrocyanide is expected to improve further which will enable the company to meet the country's entire requirements of a product which was entirely imported until last year. The unit has exported sodium cyanide of a FOB value of Rs 257 lakh. The unit was also able to enter into new export markets of Finland and New Zealand.

Insulators and Electricals Company, the HT insulator division at Mandideep in MP has achieved 90 per cent capacity of disc insulators for up to 220 KV applications. The unit has bagged the order for upgradation of 66 KV transmission line of 132 KV line from APSEB. Upgradation of lines is a relatively new concept and is being done for the first time in the country. The unit has already received orders worth more than Rs 3.5 crore. HDC has shown encouraging working results for 1987 with sales rising from previous year's Rs 103.13 crore to Rs 129.43 crore and, with margins enhanced, gross profit has expanded from Rs 12.04 crore to 16.31 crore. Since both depreciation and taxation have taken away much more, net profit has turned out to be lower at Rs 5.14 crore (Rs 6.42 crore). Equity dividend is maintained at 20 per cent and is covered 3.02 times by earnings as against 3.84 times previously.

The Week's Companies

(Rs lakh)

		H	OC	Gujara	t Steel	Andhra	Рарег
		Latest Year 31-12-87	Last Year 31-12-86	Latest Year 31-3-87	1.ast Year 31-3 86	Latest Year 30-6-87	Last Year 30-6-86
Paid-up Capital		892	870	460	460	562	562
Reserves		8299	7215	1703	766	844	1125
Borrowings		6143	6011	3090	2947	915	479
of which Term borro	wings	3477	3395	732	577	218	25
Gross fixed assets		14571	12274	4110	2840	4919	4892
Net fixed assets		11244	10151	3237	2134	1425	1553
investments		178	126	60	60	5	5
Current liabilities		3297	2255	1831	2531	2562	2978
Current assets		7210	6074	3786	4509	3452	3588
Stocks		2611	1973	1757	2620	2094	2131
Book debts		28 <del>96</del>	2577	1336	1598	522	664
Net sales		12943	10313	8422	9642	5513	6808
Other income		193	210	393	26	154	194
Raw material costs		7274	5798	6339	7877	1562	1837
Wages		868	684	398	370	822	762
Interest		933	760	435	393	262	214
Gross profit (+)/loss (	-)	1631	1204	237	375	3	637
Depreclation provision		996	520	129	132	285	253
Tax provision		121	42	5	20		140
Net profit (+)/loss (-	)	514	642	103	223	282	244
Investment allowance i		25	317	44	141		
Transfer to reserves Dividend		314	154	_	4		154
Amount	P	7	7				
	E	168	164	69	78		90
Rate (per cent)	P	15	15				
	E	20	20	15	17		16
Cover (times)	~	3.02	3.87	1.49	2.86		2.70
Ratios (per cent)		3.02	2,07	,			
Gross profit/sales		12.61	11.67	2.81	3.89	0.05	9.35
Net profit/capital emp	loved	5.59	7.94	8.17	18.19		14,46
Inventories/sales		20.17	19.13	20.86	27.17	37.98	31.30
Wages/sales		6.70	6.63	4.72	3.84	14.91	11.19

# GUIARAT STEEL TUBES

# Slipping

GUJARAT STEEL TUBES has shown a lower gross profit of Rs 2.37 crore for

1986-87 as against Rs 3.75 crore in the previous year following decline in turnover from Rs 96.42 crore to Rs 84.22 crore. Net profit is Rs 1.03 crore against Rs 2.23 crore and dividend is reduced from 17 per cent to 15 per cent. It may, however, be mentioned that the company has recalculated custom duty payable for 1984-85 and 1985-86 and the resultant claims for refund of excess duty of Rs 298.34 lakh has been credited to profit and loss account. Moreover, excess depreciation of Rs 50.15 lakh provided earlier has been written back. But for these adjustments in the accounts, there would have been a loss for 1986-87. The company has revalued plant and machinery on the basis of market value as on April 1, 1986 and net surplus of Rs 10 crore arising on revaluation has been credited to revaluation reserve. The directors say that the availability of steel hot rolled coils was difficult and production of water and gas tubes was lower by 18 per cent and their turnover by 15 per cent compared to the previous year. The precision tubes division made a breakthrough in the development of business with two-wheeler manufacturers having Japanese collaboration, but the availability of necessary raw materials proved a constraint. The output of the division slipped by 7 per cent, although its turnover increased by 2 per cent compared to the previous year.

#### ANDHRA PAPER

# Raw Material Shortage

ANDHRA PRADESH PAPER MILLS has shown disappointing performance for 1986-87 with sharp falls in production and sales due to inadequate supply of raw material by the state government. The shortfall had to be supplemented by purchase from local market, neighbouring states and by importing waste paper cuttings from abroad, which resulted in a steep increase in the cost of production. Production was also affected due to industrial relations problems during the first quarter of the year and heavy rains and floods in the month of August 1986. Besides, production was hampered due to 60 per cent power cut suddenly imposed by the Andhra Pradesh State Electricity Board during the last quarter of the year. Production of paper and paper board was 61,399 tonnes against 80,294 tonnes in the previous year and sales were 62,398 tonnes against 80,256 tonnes.

The year's outcome turned out to be a gross profit of only Rs 3 lakh against Rs 637 lakh previously. After providing for depreciation, there was a net loss of Rs 282 lakh against a net profit of Rs 244 lakh. Dividend, paid at 16 per cent last year, has been passed over.

The free flow falling film evaporator has been commissioned on September 22 last and its performance found satisfactory. The system is providing higher level of steam economy and reducing air pollution, besides harnessing the full capacity of the chemical pulping plant and recovery system. The second waste paper pulping and cleaning plant is expected to be received early next year. Orders for machinery to instal tri-nip press and size

press for modernisation of Anupama paper machine have been placed and are expected to be shipped before the end of the year. This re-build would pave the way for diversification of paper quality of higher realisation as well as attainment of higher operating efficiency of the machine. Work on the second phase of the effluent treatment plant has been initiated and the plant is expected to be commissioned by June 1989.

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Application enclosing detailed curriculum vitae, stating age, qualifications, experience of teaching, research work done and publications expected status and salary, should reach the undersigned before 15th March, 1988.

Director

#### BANK OF INDIA

# Financing Priority Sectors

BANK OF INDIA is the first nationalised bank to cross the Rs 10,000 crore mark for deposits, which it did by end-December 1987. Releasing the balance sheet and profit and loss accounts for 1987. R Srinivasan, chairman and managing director, stated that the bank added Rs 1,615 crore to global deposits which attained a level of Rs 10,532 crore at the year end. The global advances portfolio increased by Rs 1,114 crore to Rs 6,362 crore. Aggregate deposit growth in India was 18.1 per cent, compared with an estimated 16.1 per cent for the banking system. Advances in India increased by Rs 407 crore. Taking into account the decline in food credit, the deployment in non-food sectors amounted to Rs 571 crore. Over 70 per cent of the increase incredit was in priority sectors and exports. Lending to priority sectors reached Rs 1,790 crore and covered 1.5 million borrowal accounts. The priority sector lending ratio has gone up from 42.2 per cent in 1986 to 46 per cent in 1987 and the ratio of advances to weaker sections increased from 10 per cent to 10.6 per cent. The ratio of direct finance to agriculture has reached 18 per cent. In the field of rural development, the bank has framed area-specific credit schemes of an innovative nature. A record growth has been achieved in export financing. The outstanding export credit as well as export credit turnover registered an increase of 43 per cent to the level of Rs 318 crore and Rs 1,723 crore, respectively. The bank has provided increasing quantum of credit to various fast growing areas of export, including diamonds, in respect of which the sanctioned credit limits have gone up by 82 per cent in 1987.

In the international arena, a leading role was played by the bank as agent for finalising agreements on behalf of seven Indian banks with the Bank of Zambia for rescheduling debts. The agreements for rescheduling debts, signed in Hong Kong in April 1987, are for a total amount of \$ 47 million, which includes dues on account of trade finance extended by Indian banks to confirming houses and the Bank of Zambia. For rescheduling letter of credit debts between 1984 and 1986. the bank entered into a refinancing agreement along with several other international banks, with the Central Bank of Nigeria and the government of Nigeria as guarantor on December 3, 1987, involving a total amount of \$ 128 million and interest accrued thereon. As part of its thrust towards economic liberalisation. the Japanese government has established the offshore banking market with effect from December 1, 1986, which, inter alia, has the objective of providing opportunities to non-residents to raise and manage funds, free from taxes and restrictions/regulations applicable to the domestic financial market. Bank of India's Tokyo branch, which has been one of the oldest foreign bank branches in Japan, has been given permission by the Japanese government to participate in the offshore market and it commenced participation in the market from August 1987. The outstanding assets/liabilities of the branch in the offshore market amounted to Yen 2.7 billion at the end of 1987. Bank of India Finance Kenya, Nairobi, a wholly-owned subsidiary of the bank had a highly satisfactory performance in its second year of operation, registering a 91 per cent increase in net profit and the dividend rate has been doubled to 40 per cent of issued capital.

### **ARUNA SUGARS**

# Diversification Programme

ARUNA SUGARS AND ENTERPRISES has made a net profit of Rs 142.33 lakh after tax in 1986-87 as against Rs 112.60 lakh for the previous year. As on September 30, 1987 the reserves of the company stood at approximately Rs 805 lakh against a paid-up capital of Rs 140 lakh. The Rs 10 equity share is quoted around Rs 29.50 on the Madras stock exchange The board of directors have recommended a final dividend of 14 per cent on the equity share capital of the company for the year 1986-87.

The company has modernised the sugar factory at a total cost of about Rs 294 lakh aimed at increasing the efficiency and productivity. Out of this, about Rs 83 lakh was met out of internal generation and Rs 210 lakh by borrowings from the financial institutions. It has been decided to expand the crushing capacity of the sugar factory from 4,000 to 5,000 tonnes per day and necessary details are being worked out. The alum unit acquired from TIIC has been fully revamped and it commenced commercial production in March 1987. The initial teething problems having been overcome the unit is expected to work to the full capacity during the current year. The international division had a turnover of Rs 8.10 crore through the export of marine products and leather. The company's subsidiary. Aruna Finance Limited with a paid up capital of Rs 50. lakh made a profit of Rs 1.25 lakh during the financial year ended March 31, 1987.

For the year 1987-88, Aruna Finance has already concluded hire purchase and leasing business for a sum of about Rs 115 lakh. It is expected to make a profit of about Rs 10 lakh in 1987-88 and declare a maiden dividend. Preliminary approvals have been received for the parent company's diversification into the hotels business. It is proposed to have a technical and management tie-up with a reputed international hotel chain specialised in 3/4 star category of hotels. The company is also studying the prospects of further diversification particularly in products using the sugar unit's by-products like molasses, baggasse, etc.

## IN THE CAPITAL MARKET

# Shri Ishar Alloy Steels

SHRI ISHAR ALLOY STEFLS is to shortly make a public issue of Rs 2.52 erore in equity shares of Rs 10 each at a premium of Rs 12 per share to raise a part of the finance required for its Rs 23.30 crore modernisation-cumexpansion project being established adjacent to the existing plant at Indore. Promoted in 1969, the company is today one of the leading manufacturers of special and alloy steels in the country with a capacity of 50,000 tonnes per annum. The project envisages setting up a steel-making unit with a capacity of 1.15 lakh tonnes per annum, incorporating a 30 T ultra high power furnace, a secondary refining furnace and a 3-strand continuous casting machine. For secondary refining, the company will instal a Demag MRP convertor. The company's product-mix would include high/low carbon wire rod grades, forging quality steel, free cutting steel, special purpose welding steel, spring steel, heat treatable constructional steel as well as a wide variety of stainless steel. In 1985-86 the company made a profit of Rs 87 lakh on a turnover of Rs 34.82 crore and in 1986-87 profit increased to Rs 1.37 crore on a turnover of Rs 38.30 crore. According to Sukhwant Singh, managing director, the new unit will go into commercial production in April 1989 and achieve 96 per cent capacity utilisation in 1989-90. Its turnover that year should go up to Rs 100 crore and profitability should also get enhanced, since the modern technology will reduce power and electrode consumption considerably. As at the end of 1986-87, the company had reserves to the tune of Rs 3.58 crore against the equity capital of Rs 50 lakh. It paid a dividend of 13 per cent for 1984-85 and stepped it up by two per cent in each of the subsequent two years. The company expects to maintain a dividend of 17 per cent on the enlarged capital.

STATISTICS									
			VI.,		Varia	tion (per	cent)		
Index Numbers of Wholesale Pri (1970-71 = 100)	ces Weight	Latest Week (13-2-88)	Over Last Month	Over Last Year	Over March 28, 1987	In	In 85-86++	In 84-85	In 83-84
All Commodities	1000	415.1	- 0.1	10.3	9.8	4.8	5.8	7.1	9.5
Primary Articles	417	391.3	0.3	12.8	12.7	5.7	2.1	4.8	11.0
Food Articles Non-food Articles	298 106	372.9 404.2	0.8 1.1	11.7 25.5	9.2 26.4	7.2 6.7	7.9 - 10.3	6.4 -2.3	13.5 15.1
Fuel, Power, Light and Lubricants	85	664.9	0.3	6.5	6.2	6.7	11.9	2.6	7.6
Manufactured Products	499	392.7	-0.6	8.3	8.4	4.7	7.2	6.0	8.7
G . ATA						ation (per	cent)	<u> </u>	
Cost of Living Index	Base	Latest Month	Over Last Month	Over Last Year	Over March 1987	1n 86-87	1n 85-86	1n 84-85	1n 83-84
For Industrial Workers	1960 = 100	75212	- 0.4	9.3	9.6	8.7	6.5	6.4	12.6
	1984-85 = 100	12811		9.4	9.4	7.3	7.9	8.1	10.3
For Agricultural Labourers	July 60 to	65412	0.2	13.0	14 1	4.8	4.8	0.2	11.4
	June $61 = 100$				Variation (	(per cent i	n brackets)		
Money and Banking		Latest	Over	Over	Over	<del></del>			
•	Unit	Week	l.ast	Last	March	1n	1n	1n	,1n
		(12-2-1988)	Month	Year	27, 1987	86-87 + +	85-86 * *	84-85	83-84
Money Supply (M3)	Rs crore	1,60,774	- 585	22,660	20,141	21,627	14,423	16,058	13,031
,, ,			( -0.4)	(16.4)	(14.3)	(18.3)	(13.9)	(18.7)	(17.9)
Net Bank Credit to Government Sector	Rs crore	84,599	583	13,296	12,301	12,822	6,555	8,445	5,757
Bank Credit to Commercial Sector	Rs crore		132 - 342	10,493 239	8,576 374	10,576	10,963	10,809 1,419	8,830 104
Net Foreign Exch Assets of Banking Se Deposit of Scheduled Commercial Bank	ctor Rs crore	4,351 1,17,203	1,136	16,348	14,459	1,251 16,723	13 13,160	11,519	8,550
Deposit of Scheduled Commercial Ball	va tra croic	1,17,203	( · 1.0)	(16.2)	(14.1)	(19.6)	(18.2)	(19.0)	(16.4)
Foreign Exchange Assets**	Rs crore	6,193	484	- 867	-1,425	604	197	1,319	1,233
Index Numbers of Industrial	Weights	Latest	Avera			(8.6)	(0.8)	(24.0)	(28.9)
Production		Month	Mon	ths*			ation (per o		
(1970 - 100)			1986	1985	1n 1986 † †	In 1985 † †	1n 1984	1n 1983	In 1982
General Index	100.00	222.010	217.5	204.4	6.1	6.4	6.6	4.2	4.5
Basic Industries	33.23	288,710	272.6	250.9	7.7	8.7	10.8	5.5	8.0
Capital Goods Industries	14.98	235.1 <sup>10</sup>	231.0	224.1	2.4	3.1	6.6	5.3	-0.9
Intermediate Goods Industries	21.33	187.1 10	187.7	1.79.2	6.0	4.7	6.1	6.8	1.9
Consumer Goods Industries	30.46	174.410	173.1	161.9	5.3	6.9	2.6	0.6	5.8
Durable Goods Non-Durable Goods	3.81 26.65	303.1 10 156.0 to	286.7 156.9	246.3 150.1	14.0 3.4	17.4 4.5	17.8 0.2	1.0 0.5	3.6 6.5
Foreign Trade	Unit	Latest	Cumula		2.4	7.5	0.2	0.5	0.5
roreign fraue	Cilli	Month							
	_	(Dec 87)	1987-88	1986-87	1986-87	1985-86	1984-85	1983-84	1982-83
Exports	Rs crore	1,234	11,197	9,076	12,550 (14.0)	11,012 (-7.1)	11,85 <b>5</b> (20.0)	9,872 (10.8)	8,908 (14.2)
Imports	Rs crore	1,886	16,111	14,189	20,063 (1.5)	19,766 (15.1)	17,173 (8.9)	15,763 (9.8)	14,356 (5.0)
Balance of Tradc	Rs crore	<b>-652</b>	-4,914	-5,113	- 7,513	- 8,754	-5,318	- 5,891	-5,448
<b>Employment Exchange Statisties</b>	Unit	Latest	Cumula	tive for*					
		Month (July 87)	1987	1986	1986	1985	1984	1983	1982
Number of Applicants on Live Register	s l'housand	27,259	27,259	28,442	30,131	26,270	24,861	23,034	19,753
(as at end of period) Number of Registrations	Thousand	335	3,091	3,170	(10.9) 5,473	(6.0) <b>5,82</b> 4	(7.9) <b>6,22</b> 0	(16.6) 6,756	(10.7) 5,862
	-		•		(-6.0)	(-6.4)	(-8.0)	(15.3)	(-6.6)
Number of Vacancies Notified	Thousand	56	373	354	616 (-10.0)	683 (-3.4)	707 ( - 15.5)	827 (0.9)	820 (-8.4)
Number of Placements	Thousand	35	215	216	356 (-8.2)	388 (-4.7)	407 (-16.3)	486 (2.5)	474 (-6.1)
Income	Umt	1986-87++	1985-86**	1984-850				1980-81	1979-80
Gross Domestic Product (current prices	) Rs crore	2,60,584	2,33,305	1,90,888	1,72,704	1,45,961	1,30,770	1,22,226	95,358
Gross Domestic Product (1980-81 prices Per Capita Income (1980-81 prices)	Rs crore Rupees	1,62,326	1,56,083	61,838 775	59,541 764	55,068 721	53,470 720	1,22,226 1,627	47,191 664

<sup>\*</sup> For current year up to latest month for which data are available and for corresponding period of last year.

\*\* Excluding gold and SDRs.

+ Up to latest month for which data are available.

+ Provisional data.

@ Relate to 1970-71 prices.

Notes: (1) Superscript numeral denotes month to which figure relates, e g, superscript indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

# How 'Popular' Is Rajiv Gandhi?

Bhabani Sen Gupta

Opinion polls may show the prime minister to be popular with the majority of the electorate, but the image is at best fragile and Rajiv Gandhi is unlikely to gamble his and his party's political future on such fragile evidence of popularity. It will be foolish to minimise the potential strength of a united opposition. If the opposition parties can avoid splitting the anti-Congress(I) vote, Rajiv Gandhi will have a rough time at the hustings.

INDIA TODAY, the country's most widely read newsmagazine, has assured the prime minister on the strength of a more-thanreasonably large urban-rural public opinion poll that he is more popular now with the electorate than he was in August 1987, and that if he calls for an election early 1988, he would win "hands down". The opinion survey was conducted by the Marketing and Research Group (Marg) with the largest ever sample-over 10,000 urban-ruran 'locations' in 70 constituencies, including 7,500 rural voters. It gives Rajiv Gandhi's Congress(1) as many as 345 seats in a Lok Sabha if it were to be elected last January (which, in the language of public opinion studies, would mean the present time). That would be only 70 short of the 415 seats the ruling party won in December 1984 and would miss the two-thirds majority by a wee margin of 15 seats.

A fairly large segment of the print medium has been suggesting for some weeks that the prime minister's popularity is moving up, and up. The reason, it is claimed, is his new-found aggressiveness—the peacevasion of Sri Lanka; macho political declarations like "I shall dismiss a state government if it is found to be anti-national" or "I will not ask this-or-that governor to do this-or-that", or his instruction to the governor of Andhra Pradesh, rather than the elected government of that state, to send him a report on the condition of the cotton crop; the dismissal of the chief ministers of three large Hindi-speaking states and the appointment of new ones; the election victory in Tripura; the ability of the ruling party to remain in power in Meghalaya; and, last but not the least, the latest cabinet reshuffle involving 13 ministers and getting rid of two members of the cabinet. To this impressive list of to-do's must be added the extraordinary political 'courage' to raise the prices of almost everything consumed by the poor, the non-poor, the rich and the non-rich, to allow infliction to rise to double-digit figures and still keep on rising; to garner Rs 2,769 crore even before the presentation of the 1988-89 Budget. (The authority-assertion of the prime minister in the Budget is around the corner at the time of writing.)

The India Today survey brings out a string of startling revelations if its probe really touched the minds of the electorate. The voters do not bother about Bofors and other scandals; they are not negatively swayed by reports of graft and corruption by political leaders; a significant majority of them believe in the honesty of the prime minister, and regard him to be more pro-poor than Vishwanath Pratap Singh, who is seen as his rival-in-chief. Furthermore, the majority of the harijans and of the poorer sections of the electorate generally continue to remain supporters of the Congress(I), and laud the leadership of Rajiv Gandhi.

If the India Today survey truly mirrors the mood of the voters, why shouldn't the prime minister call for a snap mid-term election? Some commentators believe that he is exactly on that track, whatever to the contrary he may choose to say for temporary public consumption. At the same time, Rajiv Gandhi must give the chief ministers he has bestowed upon Rajasthan, Madhya Pradesh and Bihar enough time to consolidate their hold on the party organisation as well as the administrative machinery, and neutralise the barely hidden claws of their enemies within the party among whom must be counted not only the dismissed chief minister of Rajasthan, Harideo Joshi, for whom no berth could be found on the reshuffled central cabinet unlike in the case of his two more fortunate peers from Bihar and Madhys Pradesh. Also, the numbing price hikes announced in the railway budget, the on-theeve-of-the-budget official statement of February 24 increasing all manners of postal rates, and, inevitably, in the budget itself, need to be absorbed by the electorate before the ruling party can knock at their doors for votes. Indications of a spring poll can therefore be dismissed as unrealistic, but a snap poll in the autumn, just after the harvest, is a strong possibility. Especially, after a promiseful rabi crop, if the next kharif means a good harvest.

But does the India Today image of the in-

creased and increasing popularity of the prime minister correctly mirror the voters' mood? Or how is the prime minister's popularity to be accurately measured in a country like India? After the India Today forecast in December 1984 made by Prannoy Roy and his associates of MARG on the basis of a countrywide public mood survey, one would not easily shrug off measurements of the electorates' moods offered by trained students of public opinion. However, the pollsters proved to be wrong in their forecasts of the Haryana election. In Tripura, the Congress(I) won by the razor's edge, with a minority of popular votes and a single-seat plurality in the 60-member legislative assembly. The party's success in Meghalaya lies in its ability to deny its regional rival a plularity of seats in the legislature. Neither of these two victories, nor a combination of the two, did make up for the rout of the ruling party in Haryana.

To be sure, the sensitivities of the urban elite and the urban-rural masses with regard to national politics are far from comparable. Many of the issues that agitate the elite mind do not enter the cognitive world of the rural masses. For instance, not more than a fifth of the voters surveyed for the India Today poll had even heard that there was such a political float as Jan Morcha. What AIR and Doordarshan do not cover in their news bulletins perhaps do not enter the cognitive world of the rural masses. In an oral culture, news does travel fast by the word of mouth, but not if it doesn't really shake the minds of the target people. For instance, the concerted efforts of younger members of the treasury benches to challenge the ruling of the chairman of the Rajya Sabha on February 22, which made Shankar Dayal Sharma, who also happens to be vicepresident, offer to resign might have disturbed many an educated urban-rural Indian who cares not only for elections but also for the preservation of the major institutions and values of parliamentary democracy. But with newspapers reaching just about one in every 100 Indians, the vast majority of the people could hardly be expected to know about what happened, even less to comprehend the meaning of it. The poor take it for granted that the rich and the powerful are corrupt exploiters and oppressors; revelations of this ancient truth hardly shock or surprise them. They see political power in terms of their living conditions, the hard realities with which they must patiently and morbidly coexist for a very long time.

How many of ordinary Indians living in the villages realise the extent to which their living conditions are made or unmade by the ruler in Delhi? For the masses of Indians, the raj is represented by the state govern-

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ment, while the prime minister is seen more or less as a distant benign monarch too larger than life to be held responsible for their poverty and deprivations. The ugly face of power is projected by the local officials and their friends and allies, the zamindar, the moneylender, the trader. A prime minister's image sinks in the minds of the poor rural masses only when something like an earthquake happens to their life for which they hold Delhi to be responsible. The famine conditions of 1967 brought about the electoral humiliation of Indira Gandhi who lost power in the Hindi-speaking states but won very narrowly at the centre. Her rout in 1977 was caused by the wrath created amongst the rural people in the north, rich as well as non-rich, by wild-fire reports of her government's determined bid to sterilise countless males in order to arrest the population explosion. That the reports were grossly, even absurdly, exaggerated made no difference at all. If the Janata government had not collapsed as a result of its internal contradictions, Indira Gandhi might not have returned to power. Perhaps it can be suggested with some confidence that what the poor people of India do not want is anarchy in Delhi; perhaps they fear that a political vacuum in Delhi would enhance the oppressive, exploitative, ugly powers of those who rule over them at the level of their, physical existence.

Even this generalisation must be governed with certain qualifications in the politics of the current period. In several states, non-Congress regimes have succeeded in winning the confidence of the poorer sections of the people, while segments of the non-poor too have broken with the party ruling at the centre. The Marxist support base in rural West Bengal as well as among the urban poor is stable, making the image of Rajiv Gandhi the leanest in eastern India. Whatever segments of the urban-rural elite in Andhra Pradesh may think about NTR and his party, Telugu Desam, there is little concrete evidence to suggest that the chief minister's hold on the imagination of the poor has slackened. As long as NTR can provide rice to the poor at two rupees per kilogram, he will get their votes. In neighbouring Karnataka, there is no reason to believe that the electorate will turn away from Ramakrishna Hegde. In these and several other states ruled by the opposition parties, including Haryana and Assam, the leaderships in power will be able to persuade their supporters to vote for their candidates for Lok Sabha seats. In other words, it is idle to expect that the Congress(I) will repeat next time Its performance of December 1984.

If this assumption is correct, another assumption that was derived from the elections of December 1984 and the first part of 1985 that the electorate has learnt to differentiate between national and local levels of politics is yet to he tested. A stronger hypothesis would be that in the opposition-

ruled states, the majority of Lok Sabha seats will go to the parties in power and not to the Congress(I) in the next Lok Sabha poll not only because the electorate will not see a void in Delhi as it did after the gory killing of Indira Gandhi, but also because of the close ties that have grown between the majority of the electorate and the present holders of power.

The inherent weaknesses of the *India Today*'s discovery of the prime minister's popularity can now be gauged. It is quite silly to suddenly ask a voter one fine morning who he or she would vote for if an election were held that very day. Whatever answer may be forthcoming cannot be a reliable index to the actual voting pattern that would emerge at the next election. For the simple reason that the so-called probe of the people's election mood was marked conspicuously by the absence of several major variables.

First, there is no election in sight, and therefore the mood of the voter is casual. Secondly, the parties and leaders have not gotten down to the hustings, and the power of persuasion has not worked on the voters' minds, especially those whose minds are not firmly made up, that is, the non-committed voter whose number is certainly increasing. Thirdly, the voter does not see an alternative to the prime minister and the ruling party. To say that V P Singh is way behind Rajiv Gandhi in public perceptions of a prime minister is to ignore the fact that V P Singh as leader of a coalition of opposition parties would not be the same V P Singh as he is today as merely the leader of Jana Morcha. In other words, the image of V P Singh as a credible alternative to Rajiv Gandhi could be built with considerable skili, vigour and resource once the election has been fixed and the political alignments have taken clear shape. Finally, but quite importantly, the electoral prospects of the Congress(I) can be mortally wounded by rebels within the party as it has happened in some of the opposition-ruled states.

Rajiv Gandhi's image is said to have paled in his supposedly original constituency, the better-off middle class that can afford to buy consumer durables. The Times of London, which probably earns more respect of the prime minister than the Indian newspapers which he has advised the youth of the country not to read, has recently advised him in an editorial to begin the task of embellishing the image of his government, "Mr Gandhi should start with himself'. Rajiv Gandhi may try, but unfortunately his actions often run him down. The way he encouraged his ministers to nullify the Rajya Sabha chairman's ruling on February 22 did not exactly lift his image in the eyes of even his admirers and supporters amongst the opinion-makers.

A democracy is more than elections. Its vitality derives from certain rules and conventions based on the dignity and vigour of its principal institutions. What a democracy

is, is often determined by how it behaves. There is always an inherent dichotomy between political power and the spirit of democracy; the latter tames and civilises the former. Rajiv Gandhi did not violate the letter of the rules of Indian democracy by declaring the entire state of Tripura a disturbed area without the consent of the elected government and by introducing a very visible presence of paramilitary forces on the very eve of the election. It achieved his aim which was to frighten a segment of the Bengali middle class to the point of losing their confidence in the ability of the Left Front government to protect their life and dignity from the tribal terrorists as well as the carriers of the state's counter-terror. His party won the election by a single seat, but his image as a defender of the moral norms of democracy suffered another setback in the eyes of discerning Indians. Similarly, the horse-trading that went on in Shillong to enable the Congress(I) to stay in power was a return to the politics of the past 20 years, not the new politics Rajiv Gandhi once promised to inaugurate as prime minister. In any case, that seems to be long, long ago. Most people have forgotten the Rajiv Gandhi of 1985.

The prime minister may be popular with the majority of the electorate. Even a reliable public opinion poll may show that he commands the respect and trust of a majority of the voters who also regard him to be propoor. But the image is at best fragile. He cannot afford to gamble his and his party's political future on such fragile evidence of popularity. The electoral battle is far from ioined. It will be foolish to minimise the potential strength of a united opposition. Or to dismiss V P Singh's charisma in the Hindi belt. If the opposition parties can stand together and avoid splitting the anti-Congress(I) vote, Rajiv Gandhi will have a rough time in the hustings. He may still win, but it won't be the kind of victory assured him by the India Today poll. Indeed, it will not be altogether surprising if he fails to get a majority of seats for his party. To Rajiv Gandhi's credit, he seems to realise this; hence the decision against a spring poll. Perhaps his popularity will be tested coming autumn or early 1989. Meanwhile Prannoy Roy, while bringing the prime minister a basketful of doubtful cheers. reminds him that the election is far off and quotes Harold Wilson's warning, "A week is a long time in politics".

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Air India Building, Nariman Point, Bombay 400 021.

# BALANCE SHEET AS AT 31ST DECEMBER, 1987

**Bombay Branch** 

			**********		
Previous Year Rs. P	CAPITAL AND LIABILITIES R5 P.	Rs. P.	Previous Year Rs P	, PROPERTY AND ASSETS Rs. P.	Rs. P.
	l Capital	1		1 Cash	
1	Deposit with Reserve	1		In hand and with	
ľ	82nk of India under	1		Reserve Bank of India	1
ļ		1		and State Bank of	1
!	Section 11(2) (2) &	1 :		India (including	
	(b) of the Banking	ł :	3 37 40 36 . 00		1 22 92 267 0
į	Regulation Act, 1949,	1	3,27,38,354-99	foreign currency notes)	1,33,82,367 90
ł	Government Securities	1		2 Balance with Other	
	of face value of	1		Banks	
	Rs 55,00,000/-		1,71,33,988 59	(i) In India 3,21,68,316 47	
	included in invest-		10,75,426 72	(ii) Outside India 34 26,498.15	
20,00,000 00	ments per contra	20.00.000.00	1,82,09 415 31	(11) 474111111111111111111111111111111111	3,55,94,814 6
20,00,000 00		20,00,000	1,04,07 417 21	On Comment Assument	3.77,77.017 0
24.7	2. Reserve Fund and			On Current Accounts	
NIL	Other Reserves	NII.	1.71.33.988.59	(i) In India 2,21 68,316.47	1
i	3 Deposits and		10.75,426 72	(ii) Outside India 34,26,498 I5	
l l	Other Accounts		1,82,09,415 31		
ļ	(i) Fixed Deposits	1		On Deposits	1
i	from	]	NtL	(i) In India 1,00,00,000 00	1
,70,00,000 00	(a) Banks 5,53,00,000 00	]	NIL		1
79,62,975 78	(b) Others 26,14,82 974 65	1		(h) Outside India NIL	1
· 5,00,2/3 /0		1	NiL		1
43.34.55.	(II) Savings Bank	1		4 Money at Call and	
63,31,605 94	Deposits 1,59,40 418 56	] 1	3,00,00 000 00	Short Notice	2,00,00,000 0
ŀ	(iii) Current Accounts,	1		+ Investments (2) or	1
j	Contingency		]	below cost)	1
[	Accounts,		]		1
	etc., from	1		(i) Securitles of the	
1,00,789 67	(a) Banks 1,64,780 93	1		Central and State	ı
62,19,928 23	***	1	1	Governments and	1
	(b) Others 13,72.51,213 71	470140 2070-		Other Trustee	1
,76,17,299 62		47,01,39,387 85		Securitles inclu-	
1	4 Borrowings from Other			ding Treasury	
	Banking Companies,	1			1
	Agents, etc.	]		Bills of the	1
28,56,165.00	(i) In India 2,73 06,165 00	]		Central and	
				State Govern-	
52,391.33	(11) Outside India 58,961 46		9,44,91,800 40	ments 14,16,25,175 00	i
29,08,556.33		2,73,65,126 46	NIL	(ii) Equity Shares 5,00,000 00	Į.
Ì	Particulars		,,,,,	(III) Debentures or	
NIL	Secured NIL		1.10.24.000 **		
29,08,556.33	Unsecured 2,73,65,126 46		1,19,20,000 40	Bonds 41,00,000.00	1
39,73,465.91	5. Bills payable	24,71,696.84		(iv) Other	
	6. Bills for Collection	,,0,,0,0	NIL	Investments NIL	1
			NIL	(v) Gold NIL	1
i	being bills receivable		10,64,11,800 40		14,62,25,175.0
	as per contra payable	1	10,03,11,000 10	& Ademages (Other	,,.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
,67,49,398 71	(i) In India 3,29,78,506 99			5. Advances (Other	
50,63,573.76	(ii) Outside Indla 1,16,30,936 22			than bad and	
,18,12,972 47		4,46,09,443 21		doubtful debts	
· · · · · · · · · · · · · · · · · · ·				for which pro-	
	7. Other Liabilities			visions have been	1
1	(I) Balances due to	1	İ	made to the satis-	}
l	Head Office and	1			1
	Foreign	1		faction of the	1
,09,17,083.73	Branches 1,06 71,207 82	Į.		Auditors)	1
W7.1 ,003.73		}	j	(I) Loans, Cash	1
	(Ii) Income accounted		1	Credits, Over-	1
19,50,831 46	in advance 11 48,542 68			drafts, etc	
1,28,67,915 19		1,18 19,750 50	16.80.68.813 72	(i) in India 15,61,61,782 76	1
j	8 Acceptances, Endorse-	1	10.80,00,017 /2	1 ''	
	ments and other	1		(ii) Outside	
į	obligations	Ī	NIL	India NII	
45,86 849 78	per contra	10 90.93,662 6+	16,80,68,813.72	15,61,61,782 76	1
12 1,00 017 0		10 30.23,002 01		(il) Bills Discounted	
	9 Profit and Loss	i		and Purchased	1
	Account as per last	1	l	(excluding	f
58,28,377 00	Balance Sheet 92.51.694 68	1	1		1
1	Add Profit for the	Ī	1	freasury Bills of	1
	year as per Profit	1	1	the Central and	i
1	and Lass Account	1	l	State Govern-	1
34,26,317 68		1		ments) payable	- 1
		t	1 07 14 140 04		1
92,54,694 68	1,38710,055 **2	1	1,87,15,140,94		
	Less Profit	1	2,90,98,569 00	(it) Outside Indla 2,32,81,744 65	
NII	Remitted 16,88 735 81	1	4,78,13,709 94	10,98,51,284.97	
92 54,694 68		1 21,22,321 91	21,58,82,523,66		26,60,13,067.7
1		1			-
7,50,21,748 98	Carried Forward	67,96,21,389 41	40,32,42,094.36	Carried Forward	48,12,15,425.3



Air India Building, Nariman Point. Bombay 400 021.

# BALANCE SHEET AS AT 31ST DECEMBER, 1987

Bombay Branch

	TS	PROPERTY AND ASSETS		CAPITAL AND LIABILITIES Previous		Previous Year   CAPITAL AND	
Rs i	Rs P		Re P	Rs P	Rs P.	Rs. P.	
48,12,15,425 3	Brought Forward	1	40,32,42,094.36	67,96,21,389.41	Brought Forward	7,50,21,748.98	
		6 Bilis receivable			Contingent	1	
	į.	being bills for	ŀ		Liabilities		
	ł	collection per	i		(I) Claims against		
	ŀ	contra payable	ì		the Banking		
	3,29,78,506 99	(i) In India	2,67,19,398 71		Company noi	ľ	
	1,16, 10 936 22	(ii) Outside India	1,50,63,573 76		acknowledged		
4,46,09,443	71:11:11:11:11:11:11:11:11:11:11:11:11:1	(ii) Countries inter-	4,18,12,9-2 1		as debts 2.12,087 78	5 1 3 00 <b>2 2</b> 0	
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<b>!</b>	" Constituents'	4,10,12,7			2.12,087 78	
	Į.	Liabilities for			(il) Guarantees given	1	
	1				on behalf of	ì	
	í	Acceptances, Endorse		)	(2) Customers of	)	
	5	ments and other			Ilead Office	1	
	1	obligations per			and Foreign		
10.90,93,662 6		contra	9, 15,86,811 78		Branches 13,25,000 00	13,50,000 00	
	ł	8 Premises less			(b) Officers Nil	NIL	
N		Depreelstion	NIL	)	(c) Others 3 17,75,698 66	5,41,62,571 49	
		9. Furniture and Fixture			(iil) Liabilities on	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
		(including capitalised			bills of exchange		
		alterations)		(	rediscounted 1,73,91,700 00	7.13.17 0000 00	
		less depreciation		1		7,13,36 000 00	
		Cost as per last			(iv) Liability on	}	
	31.86 679 31	Balance Sheet	22,87,807 99		account of out-	1	
	31.800 9 11		22,8 .80 99		standing forward	i	
		Additions during			exchange		
	16,12,303.08	the year	13,67,122 92	İ	contracts 99,46,176 10	3,31,91,446 85	
	18.28,982 39		36 54,930 91	ĺ	(v) On partly-paid		
		Less Disposals			shares of joint	1	
		during the		1	Stock Companies NIL	NIL	
	NII.	Veat	1,68,251 60	1		,,,,,	
	48 28,982 39		31.86.679 31	ļ.		1	
		less Depreciation	,,,			1	
		written off upto					
	18,71,703-39	31/12/1987	11,39,387 31				
29,57,279	10, 1./05.39	31/12/196			•		
29,7.,2/9			20,47,292 00				
	į	10 Other Assets					
		(i) Head Office and					
	i	Balances with		}		1	
i		Foreign	i	ì		1	
,	11 86,520 98	Branches	3,16,834 26	ļ		ľ	
		(ii) (a) Interest		l		i	
1		accrued on		l		1	
	19,73 478 89	Investments	19.92.712 40	1		ĺ	
ĺ	1-1 ,7 1 0 0 2	(b) Other	17.72. 12. 10	1		<b>,</b>	
ĺ	į		ł i	<b>{</b>		ļ	
		interest and		Į		Į	
l		commission					
i	12.35,799 71	recelvable	32,15,007.80	1		ì	
i		(c) Prepaid		Í		1	
1		expenses	1			<b>,</b>	
		and Sundry	1			l	
		amounts				j	
i	3,69,41,708 24	receivable	2,74,10,159 13	\$			
f	J. 47 (11)		4, 1,10,177 1,1	1		ļ	
1	1 21 670 12	(ill) Stamps and	07 200 70	1			
l	1,24,578 43	Stationery	87,380 78	1		į	
l		(Iv) Vehicles less		1		ľ	
1	2,83,493 00	depreciation	3,10.451 00	1			
4,17,45,579			3 33.32.545 37			1	
i		11 Non Banking Assets				1	
į .		acquired in satis-	i	1		i	
] :		faction of claims	NIL	1	•		
<del> </del>			·	<del></del>	<del></del>		
67 96.21.389		TOTAL RUP		•		7,50,21,748.98	

For BANK OF OMAN LIMITED, BOMBAY

(Q. C. J. MARTIN) MANAGER-OPERATIONS

Bombay, 29th January, 1988

For BANK OF OMAN LIMITED, BOMBAY.

(M V KULKARNI)
CHIEF EXECUTIVE OFFICER
INDIA.

As per our Report of even date attached, For N. M. RAIJI & COMPANY Chartered Accountants

Sd/-(M R. RAO) PARTNER



## Bombay Branch

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1987

Previous Year Rs. P	EXPENDITURE	Rs P	Previous Year Rs P	INCOMF (Less provision made during the year for bad and doubtful debts and other usual or necessary provisions)	Rs. P
3,62,86,016 53 19,21,115 95 34,585.10	Interest paid on deposits, borrow- ings from Foreign Banks/Branches, iocal Banks, Reserve Bank of India Financial Institutions, etc     Salaries, allowances, Provident Fund and bonus     Local Advisory Board Members' Fees and Allowances	4.16,64.4*4 13 26,21,354 **6 38,165.89	1,12 94,778 48 57,09 577 91 NII	interest and discount including from Foreign Branches     Commission, Exchange and Brokerage     Rent     Net profit on vale of	5,37,36,760.88 69,94,141 77 NIL
NIL 31,68,280 80 7,560 00	4 Loss on sale of investments 5 Rent, taxes, insurance, lighting, etc 6 Law Charges	20,50,219 10 47,72,735 22 NIL	69,590 00	investments, gold, silver, land, premises and other assets (not credited to reserves or any particular fund or account)	NII
75,054 35 30,000 00	Postage, telegrams, telephones and stamps     Auditors fees (including in other capacity)	1,51,871 60 30,000 00		5 Net profit on revaluation of investments, gold, silver, land, premises and other assets (not credited to	
8,69,280 49 2,24,376 62	9 Depreciation on and Repairs to the Banking Company's property 10 Stationery, printing, advertisement etc.	10,08,*4* 58 6,33,664 86	NiL	reserves or any particular fund or account) 6 Income from Non-banking	NII
NIL 14,23,009.27 34,26,317 68	<ol> <li>Loss from sale of or dealing with non-banking assets</li> <li>Other expenditure</li> <li>Balance of profit for the year</li> </ol>	NII. 35,98,764-31 45,56,361-04	NIL 3,92,650 40	assets and profit from sale of or dealing with such assets 7. Other Receipts	Nii 3,95,456.1
4,74,65,596 79	TOTAL RUPEES	6,11,26,358 80	4,74,65,596 79	TOTAL RUPEES	6,11,26,358.8

#### NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1987

 The Balance Sheet and Profit and Loss Account have been prepared in confirmity with Forms 'A' & 'B' respectively of the Third Schedule to the Banking Regulation Act, 1949
 Particulars of Remuneration paid/provided to the Chief Executive Officer

Previous Year Rs.		Erstwhile Officer Rs	Present Officer Rs	Total Rs
2,01,600 31,540	Salary and Bonus Perquisites evaluated in accordance with Income Tax Ruigs	1,58,400 24,376	30,000 5,122	1,88,400 29,498
2,33,140	TOTAL .	1.82.776	35,122	2,17,898

The remuneration payable to the present Chief Executive Officer, together with his appointment, is subject to the approval of the Reserve Bank of India.

- 3 Provision for income-Tax has been made on the basis of the stand taken by the Bank in the return of income and appeal filed by it with the assessing authorities. Pending outcome of the appeal/assessments, the additional tax liability, if any, could not be ascertained.
- 4 Vehicles appearing under the head "Other Assets" exclude cost of one Mercedes Benz Car imported during 1981 (including customs duty and clearing charges) which was debited to Head Office Account in that year
- 5. Previous Year's figures have been regrouped wherever necessary

FOR BANK OF OMAN LIMITED, BOMBAY

For BANK OF OMAN LIMITED, BOMRAY

As per our Report of even date attached, For N. M. RAIJI & COMPANY Chartered Accountants

Sd/

(O. C. J MARTIN)
MANAGER-OPERATIONS
Bombsy, 29th January, 1988

\$d/-

(M. V KULKARNI) CHIEF EXECUTIVE OFFICER INDIA. Sd/ (M. R. RAO) PARTNER



## Bombay Branch

# Schedule of Particulars of Advances Required by the Banking Regulation Act 1949 (Act X of 1949) Attached to and Forming Part of the Balance Sheet as at 31st December, 1987

Presious Year Rs P	PARTIC L'LARS	Rs P	Previous Year Rs P	PARLICEFARS	Rs P
15,12,74,335-15	(i) Debts cunsidered good itt respect of which the Banking Company is fully secured	13,18 03,518 51	t, 34 382 59 Ytt	(v) Debts due b) the Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons (vi) Debts due by Companies or firmy in	1 58,783 44 NIL
94,15,108 03	(ii) Debts considered good for which the Banking Company bolds no other scents than the debtors	2,60 19,140 42	2 % 184 %	which the Directors of the Banking Company are interested as Directors. Partners or Managing Agents or in the case of Private Companies, as Members.  (xii) Maximum total amount of advances.	1.48 H87 H9
",51 °> ()80 18.	personal security  (iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors	10,81 60,378 90	2 36,184 04 NII.	including temporary advances made at any time during the year to lose tors or Managers or Olficers of the Banking Company or any of them either severally or jointly with any other persons (viii) Maximum total amount of advances	1.98 88 89
Sil	(iv) Debts considered doubtfol or bail, not provided for	NII	Nit.	including temporary advances granted during the year to the companies or firms in which the Directors of the Banking Company are interested as Directors, Partners, Managing Agents nr in the case of Private Companies as Menibers  (ix) Due from Banking Companies	1 50,00.000 00
21 58,82,524 66	TYSTAL RUPEFS	26,60,13.067 73			

#### REPORT OF THE AUDITORS

We have audited the attached Balance Sheet of the Bombay Branch of Bank of Oman Ltd., as at 31st December 1987 and also the Profit and Loss Account of the Bombay Branch of the Bank for the year ended on that date

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with provisions of Sub-Section (1), (2) and (5) of Section 211 and Sub-Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, together with the notes thereon are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The Accounts are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949.

We report that read with the foregoing remark

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory,

- (b) the transactions which have come to our notice have been in our opinion, within the power of the Bombay Branch of the Bank;
- (c) In our opining, proper books of account, as required by taw have been kept by the Branch su far as appears from our examination of those books.
- (d) the Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account;
- (e) in our opininn, and to the best of our information and according to the explanations given in us, the said accounts read with the notes therein and subject to the note regarding approval to be obtained from the Reserve Bank of India for the appointment of and emuneration payable to the present Chief Executive Officer, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies and on such basis the said Balance Street gives a true and fair view of the state of affairs of the Bomhay Branch of the Bank as at 31st December 1987 and the Profit and Loss Account gives a true and lair view of the Profit of the Bombay Branch for the year ended on that date.

FOR N. M. RAIJI & CO. CHARIFRED ACCOUNTANTS (Sd/-)

> MR RAO (PARTNER)

Bombay, 25th January 1988

# Farmers' Agitations: Limits and Purposes

BM

The essential inability of the rich and middle farmers to sustain a long drawn-out agitation has again been exposed in Meerut. They cannot go beyond a point by their very nature, character and position in the rural society. The significance of their agitations lies not so much in their defiance of authority as in the assertion of the economic power and social influence of the landed interests which give them their political clout.

THE agitation by rich and middle farmers of the so-called green revolution belt of UP has attracted much attention for its socio-economic as well as political implications. It has been the most protracted and dramatic agitation of its kind in recent years. Its withdrawal without winning any of its demands has not given convincing answers to the many nagging questions which it raised. That lifting of the sit-in by a large number of farmers for as many as 25 days in Meerut is not the end of the matter is readily accepted by all. But it is also an exaggerated view of so-called 'peasant power' under the leadership of what are called 'non-political' farmer leaders when it is suggested that this will be the beginning of the assertion of parallel authority in the villages of UP and indeed all over the country which will result in the farmers' refusal to abide by the laws of the state and defiance of the administrative machinery when it tries to enforce them in the rural areas.

The fact indeed is that the government of UP and finally the prime minister, after going through many placatory gestures, had to turn down the demand for raising the support price of sugarcane to uneconomic levels and writing off of bills for the already heavily subsidised supply of electricity to farmers. The stamina of the agitating farmers was finally worn down and they were left with no option but to return to their villages and prepare their lands for cultivation and harvesting of crops. Once dispersed, the farmers cannot display their collective power which was seen by many to be so awesome when they were in assembly at Meerut. The stark contrast between the fighting capacity and capability of the organised working class and peasantry can hardly be missed. The leaders of the agitation too have been wise not to get provoked into violent acts which besides being sporadic

would have exposed the farmers to the repressive response of the government and its enforcement organs. The much-talked of traditional village bodies commanding caste and group loyalties which the leaders of the farmers' agitation in western UP were said to have activised with great success should indeed not be overrated in regard to their ability to stand up to the authority of the organised state. On the contrary, the essential inability of the rich and middle farmers to sustain a long drawn out agitation has again been exposed in Meerut. They cannot go beyond a point by their very nature, character and position in rural areas. Their significance actually lies not so much in their defiance of authority as in the assertion of the economic power and social influence of the landed interests which gives them a lot of political clout as well.

These features of farmers' agitations are evident from the manner in which the inspiration behind the agitation in Meerut and its political fall out are perceived in many quarters. The non-political pretentions of the leaders have only given rise to arid guessing games about the impact of these agitations on the fortunes and electoral prospects of rival political formations in UP-the Congress, the Jan Morcha, the BJP and the two factions of the Lok Dal. There will be a lot of open and hidden manoeuvring in this context by political formations in the days to come. Even the two communist parties have found it opportune to engage themselves in such goings on even though the political-electoral dividends they might derive can only be minimal.

ROOTED IN 'GREEN REVOLUTION'

A significant feature of the farmers' agitations, in recent years, it must not be

missed, is that they take off so far as their economic demands and claims are concerned from trends which have been officially blessed and assiduously promoted since the mid-sixties. These trends are rooted in the so-called new agricultural strategy and the green revolution in its wake which made rapid strides during the seventies and early eighties but is now tending to peter out. The essential parameters of the new agricultural strategy have been a decisive shift in emphasis from institutional reform to technological upgrading of farming combined with price incentives to the farmers producing marketable surpluses. There have been at the same time heavy costs to pay for the operation of the new agricultural strategy. The most striking in this context is the fact that the so-called green revolution has been limited to selected geographical areas with developed irrigation facilities and that stratum of farmers which is engaged in commercial farming, in contrast to subsistence farming in which the mass of the peasantry is engaged, has adequate land and other assets to be able to farm for the market. What has happened in this process is that a small section of farmershardly ten per cent of farm households in the country--have outgrown the feudal pattern of land and labour exploitation and farm production. It is precisely this section of farmers which has a high stake in subsidised inputs and higher prices for farm surpluses and is in a position to reinforce its stakes with its economic power and social and political influence. It is this section of the farmers which has emerged as the backbone and mainstay of the spate of farmers' agitations in recent years. The fleet of tractors carrying farmers to Meerut testified to this.

The new agricultural strategy might have worked smoothly if it had been part of an integrated development effort and industrial development had kept pace with it. It, after all, depended crucially on inputs from modern industry and infrastructural facilities—chemical fertilisers, improved seeds, irrigation and power, not to speak of labour-saving farm machinery. These inputs cannot become available in adequate quantities and at economic cost unless modern industries and infrastructure also develop at a fast rate—in fact, at a rate faster than commercial farming. It is a well established proposition that a four per cent growth in agriculture such as the Seventh Plan postulated is simply not possible without a ten per cent rate of growth in basic and wage goods industries. This is necessary if the input and

consumption requirements of the agricultural sector have to be met without unduly straining the supply of inputs and consumption requirements of the secondary (industry) and tertiary (services) sectors of the economy. The snag is that the growth of the secondary sector since the mid-sixties has not moved in step with the growth of the primary (agriculture) and the secondary sectors. Many of the problems and strains in Indian economy, society and polity stem from this position. The fact indeed is that the launching of the new agricultural strategy in the midsixties coincided with a sharp deceleration of investment in industry and infrastructure and consequent slowing down of their development. The global energy crisis subsequently aggravated the situation. Matters have become worse in the eighties with the acceleration in the rate of growth of the services sector and diversion of resources to industry catering to the current consumption demand of the upper and middle classes both in the urban and rural sectors. The result is that the problem of supplying inputs for the growth not only of agriculture but also the industrial and services sectors has become difficult and the entire infrastructure for development has come under severe strains.

#### SHRINKING MARKET

The marked features of the Indian economic scene during the seventies and eighties have tended to be widespread shortages of essential goods and services and price inflation. The result is a fierce competition for available supplies. Those with economic power and political clout, a thin upper stratum in the urban as well as rural society, therefore, tend to corner supplies as best as they can. The demand for higher and higher support prices for their produce, regardless of levels of production and productivity, subsidised inputs, infrastructural facilities at cheap rates and credit on easy terms tends in these conditions to be insistent on the part of all vested interests, including the surplus farmers. The other side of the scenario is that even as the upper classes engage in the scramble, increasingly with no holds barred, the domestic market tends to shrink and disparities in incomes and consumption tend to grow both in urban and rural areas. The owners of capital in industry as much in agriculture tend in these conditions easily to command rentier incomes. The claim of labour to reward matching increases in production and productivity proportionately goes down. It is a false notion that once surplus farmers succeed in getting their demand for remunerative prices accepted they will pass on a part of the

benefits to farm workers as well. This is a variant of the so-called trickle down theory which is used by vested interests to cast the burdens of development on the vulnerable sections and to maximise their own profits.

These trends in the industrial sector which find a sharp reflection in demand recession and widespread sickness while monopolies grow is well recognised. In the case of agriculture, however, there is a great deal of obfuscation arising from a simplistic view of the peasantry as an undifferentiated whole which is far from being the case in actual fact. But the costly buffer stocks of foodgrains, which grew during the years of bumper crops and the hectic efforts to find export outlets for farm surpluses till early last year, when masses of poor peasantry and landless workers without purchasing power were denied access to foodgrain surpluses was a telling commentary on the real state of affairs in rural society. It is important to note in this context that the number of wage workers in rural economy has increased enormously. They do not have any produce of their own to sell in the market and the so-called remunerative price of farm produce is actually an extortion by rich farmer from them. If to wage earners are added rural households with holdings less than one acre, who constitute well over two-fifths of the rural population, the position becomes more stark. They have little access to subsidised inputs or cheap credit. It is clear that demands raised in farmers' agitations in recent years do not concern the interests of the landless workers and poor peasants and articulate the claims of the upper and middle peasantry only. Farmers' agitations in these conditions are tending to become an effective smokescreen for the intensification of the exploitation of wage labour and atrocities on the rural poor at one level and rising pressure for the satisfaction of the sectional interests of surplus farmers at another. The surplus farmers at the same time pretend to stand up as undisputed leaders of rural society as a whole. It is extraordinary, therefore, that left parties, including the two communist parties, too have tried to jump on the bandwagon of the farmers' agitations. They concede but only in principle that hardly 5 per cent of landowners who control 40 per cent of the land under farming derive any benefit from the rise in farm prices. But then they advance the false alibi that since the present government has failed to carry out land reforms the position should not be rectified by denying high prices for farm produce.

#### THE VICTIMS

The landless and land poor who lack organisation and have feeble representa-

tion at political level, except to the extent it suits the convenience of political parties for purposes of electoral and populist competition, are indeed tending to become the immediate victims of surplus farmers' agitations even as these agitations strain the political process and distort the overall socio-economic development process. If the farmers' agitation in Meerut has visibly put the Congress(I) governments in UP and at the centre in a spot it also tested the political mettle of opposition parties and personalities. The price support mechanism which by definition was designed to ensure remunerative prices to the producers of farm commodities has actually helped to stabilise the incomes of farmers producing marketable surpluses by protecting them from exploitation by trading interests. Once, however, scarcity in any farm commodity is overcome, there is always need to make appropriate adjustments in the support price for that particular commodity so that the gains from increases in production and productivity are equitably shared between the producers and the consumers and the suppy-demand balance of such a commodity is not unduly strained. Failure to make such adjustments is bound to create ticklish problems. This has been graphically illustrated in recent years in the case of many farm commoditiesfrom wheat and paddy to sugarcane, cotton, edible oils and pulses. Losses on account of procurement of farm commodities by public agencies at prices much higher than what the open market can support are bound to be enormous. There is, after all, a limit beyond which subsidisation of surplus farmers cannot and must not go. The growing foodgrains and fertiliser subsidies naturally reinforce the position that in the case of a small upper crust of rich farmers farming has already become a profitable business. Engaged in commercial agriculture they produce marketable surpluses with the help of subsidised inputs and enjoy guaranteed remunerative prices under the price support mechanism. But the official policy on farm prices must not be blissfully oblivious of the plight of subsistence fariners working on small plots of land who gain very little under this dispensation. The intensification of the exploitation of agricultural labour by surplus farmers is also left out of the scope of official policy on farm prices.

With support price mechanism for farm commodities clearly coming under strain, it is necessary to face squarely the farm lobby with its war cry of 'remunerative prices'. When procurement prices in the case of farm commodities tend to perform the function essentially of support prices, the question of sharing the gains from improvements in their production and

productivity cannot be avoided. If indeed there has been a green revolution resulting in a significant rise in production and productivity which has generated large marketable surpluses or when there is a breakthrough in foodgrains, cotton or sugarcane production, the gains arising therefrom must be shared between landowners, farm workers and consumers. with part of the gains going to enlarge investment resources, above all, in the public sector. It will not do to take a romantic view in particular of farm prices. The strident demand of the lobby of surplus farmers for what is euphemistically called remunerative prices needs to be examined objectively and critically. This is all the more necessary because the support and procurement prices mechanism has tended of late to operate unevenly and regressively for different farm commodities and segments of farmers, largely in response to their clout-social, economic and politicalof the surplus farmers and the organised lobbies which articulate their demands and interests.

#### **TAXATION OF FARM INCOMES**

Also, it is necessary in this context to raise the question of bringing farm incomes under some form of progressive direct tax system. The issue was hotly debated for a whole decade between the mid-sixties and the mid-seventies. But it

is now regarded as a proposition which cannot even be considered. It did not figure at all in the long-term fiscal policy which was propounded by the government when V P Singh was the union finance minister. This has blocked any move towards widening and deepening the direct tax system. The report of the body of experts headed by K N Raj, submitted in 1972, in favour of an integrated and progressive system of direct taxation of farm income was simply shelved. The aversion to any proposal to tax agricultural income and wealth has since grown stronger. This is not altogether fortuitous.

The case for an agricultural income tax was held by the K N Raj committee to be unassailable on socio-economic grounds. The committee had shown that there was no system of progression in the taxes levied in the agricultural sector and "consequently, income-earners belonging to the upper income strata in the agricultural sector actually pay taxes at rates less than those of even comparable strata deriving their incomes from non-agricultural sources". It is, therefore, wrong to argue, as is sometimes done, that a progressive direct tax for the agricultural sector was unacceptable because compared to urban standards of richness, rich farmers were not rich. The Raj committee sharply underlined the fallacy of this line of reasoning and recommended that "the incidence of direct taxation should be broadly the same on comparable income

and wealth groups irrespective of the sources of such income and the forms in which wealth is held". This does not mean, of course, as the Raj committee pointed out, that the forms of direct taxation applicable to different categories of income and wealth should be identical. The committee, on its part, proposed a scheme for levying a landholding tax.

The late Raj Krishna, it might be noted in this context, had much earlier referred to the perpetuation and sharpening of what he called "horizontal inequity in tax burdens on upper classes" not only in the agricultural but also the non-agricultural sector. Significantly, the reluctance to levy any form of progressive taxation on farm incomes and to cover all sectors by an integrated system of taxing incomes has resulted in a general retreat on the issue of an equitable and progressive tax system as such. The fiscal system has got dislinked in this process from a meaningful role in mobilisation of resources for development as well as in reduction of income inequalities. Time has actually come in the wake of the agitations of rich farmers to forcefully raise the question of direct and progressive taxation of farm incomes instead of pandering to their enhanced claims and demands. Political parties, in particular left parties, must break out of the groove of populist polities and take positions on the basis of the real contention of economic and social forces in the political arena



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# A Land Struggle

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This account of a protracted land struggle in a village in the 'naxalite' belt of Bihar brings out the development of the peasant movement from the initial situation of passive submission (accepting even the demand to perform begar), through active opposition (raising the wage demand) to counter-offensive (demanding the distribution of the big landlord's ceiling surplus lands).

BASUHARI is a small village in Bihar's Rohtas district. Its land is fully irrigated by a canal. Of the fifty families residing in the village, three-fourths belong to the backward and dalit castes. They are all either poor peasants or agricultural labourers. Between them they own less than 10 per cent of the land. The upper easte families residing in the village are all brahmins. A few of them are small landlords. The rest are peasants, ranging from reasonably well-off, middle peasants up to rieh peasants. These peasants do contribute family labour in some field operations-except ploughing, which remains taboo. All of them, however, invariably also have permanent farm servants. The banihar, as he is known, gets a piece of land of about two-fifths of an acre. This land the banihar cultivates with the landlords' implements and its produce (known as kola) is the main income of the farm servant. In return for this, the banihar has to render labour services for the employer and is paid a daily allowance of one kilo of grain. In comparison, it should be noted that the wage of daily labourers in the area is now between three to four kilos of grain per day.

The small landlords cultivate their lands mainly with farm servants, employing some casual labour during transplanting and harvesting. They also give out some land on bataidari. The bataidari basis is a fifty: fifty distribution of the crop, with the bataidar having to bear the full cost of production. After making the above deductions and paying the interest on advances, not more than 10 per cent at best of the crop would remain with the bataidar. As mentioned earlier, small landlords mainly carry on cultivation with farm servants, it is only a small portion of their lands which they rent out on a sharecropping basis.

The biggest landlord of Basuhari is not a resident of the village. Some 130 acres of the village land stand in the name of the Ram Janaki Mandi Trust, located in the nearby village of Sarainya. This temple was established early this century and the land for it acquired from the Banaras zamindari. The temple lands continued to

be under this zamindari. The Rajput family that set up this temple also settled the village of Basuhari, inducing some peasants to move in as bataidars. In the pattern that was usual when the actual tillers were not the registered raiyats, with zamindari abolition it was the temple and not the bataidars that go title to the land.

Ownership by the temple trust is only a cover for ownership by the executive trustees (sevaiyat), in this case a family of four brothers, descended from the Rajput family that had established the temple. Of the temple lands less than 15 acres were cultivated with the help of banihars. The rest of the land was given in small lots on bataidari. In the case of these lands, besides giving the usual crop-share to the landlord, the bataidars also had to perform free labour (begar) on the lands cultivated with farm servants.

Neither the facility of canal irrigation nor the coming of the Green Revolution induced the Rajput landlords to resume the lands for so-called personal cultivation, i.e. with farm servants and labourers. Instead the commercialisation of input markets enabled the landlords to commercialise political influence. One of the brothers is the pramukh of Bhagwanpur block and also the Congress(I) cheiftain. Another is a mukhia. These offices have been turned into sources of profit, as the political-bureaueratic structure controls the distribution of loans and inputs. Commissions earned on loan/input sanctions are a substantial addition to traditional landlord earnings. A third brother has become block president of the Krishi Udyog Sandh, the newly-formed "farmers'" body in Bihar. Side-line income for the landlords comes from the local college they control.

In 1981 the Bihar Kisan Samiti (BKS) started work in the village. Mobilising the agricultural labourers and poor peasants (bataidars) a strike was launched for higher wages. The wage demand was placed with respect to both the begar done on the temple lands and the wage labour on other lands. Thus, in placing the demand and in going on strike no distribution was made between the various

categories of employers—the big landlord, small landlords, rich peasants and others were all confronted by the labourers and poor peasants. On the other side, the rich peasants and landlords, all of them from the upper castes, united in opposing the wage demand. The wage strike could not be continued for very long, but it did have some effect on the situation. It signalled the beginning of the agrarian struggle in this village, breaking the earlier silence of passive submission. Further, there was some increase in the wages paid. At the same time, the big landlord retalitated by evicting the bataidars.

In Bihar though the Tenancy Act provides for the recording of tenants, almost all bataidars are unrecorded, tenants-at-will. Not only has the state government refused to undertake any recording of bataidars, it has gone so far as to threaten action against over-zealous officials who might attempt to record bataidars—a fact noted by US state department officials like Wolf Ladejinsky, who were anxious to see the Green Revolution get off the ground in Bihar.

When the evicted bataidars of Basuhari approached the District Commissioner, Land Records (DCLR) to secure their rights as tenants, the landlord contended that a ceiling-surplus case was pending in the courts and, therefore, no bataidari case should be entertained. On this basis the bataidari case was dismissed by the DCLR.

In 1982 the landlord's lands remained largely uncultivated. He got a small portion of it cultivated by labourers from outside the village, but was unable to get any bataidars. In 1983 the arrest and prolonged detention of some of the BKS leaders resulted in a weakening of the organisation. In this situation, with police protection and using goondas, the landlord was able to cultivate the lands. He also seized some government lands and blocked water going in the fields of others. The evicted bataidars maintained themselves by working as wage labourers in nearby villages.

The weakening of the local BKS organisation in 1983-84 was due to more than just police repression. The major factor was a difference that cropped up in the organisation—on whether wages or land should be the principal issue of the agrarian struggle. The positions taken in this debate depended on whether the mode of production was taken to be capitalist or semi-feudal. In turn, the position on the mode of production affected not only the choice of the principal issue of the agrarian struggle but also the breadth of the united front that should be forged—to unite all those who could be united against the handful of big landlords (just one in this case), or to treat all landlords, big and small, and rich peasants equally as enemies in the agrarian struggle. It was only when the BKS reiterated its position of semifeudalism as the mode of production, land as the principal issue of the agrarian struggle and the big landlords as the chief target of attack, that the struggle in Basuhari could be renewed.

In 1985 the local organisation of the BKS was strengthened and the struggle revived. In place of the demand to merely register the bataidars, the BKS went one step further and asked that the lands be declared ceiling surplus and distributed among the labourers, who it should be remembered also included those who had formerly been bataidars. The demand for the distribution of the lands is more advanced than that for a registration of sharecroppers, which while providing the tenants with some security keeps in tact the system of sharecropping (as has been the case with Operation Barga in West Bengal).

The BKS in its demand for distribution of the ceiling surplus lands also asked that the pattas (title deeds) be made not in the names of the males alone, but joint pattas be made in the name of both male and temale heads of the households. This too was an advance over the usual position of lands distributed in the name of the males alone. At the local level there has been some discussion on whether joint pattas are sufficient to protect the female interests, or whether separate pattas should be demanded.

Having stalled the earlier bataidari case in the name of a pending ceiling surplus case, the landlord now moved to foil the ceiling surplus case by pretending that the lands were under bataidari. The ranks of the agricultural labourers were split and some of them were induced by the landlord to claim that they were bataidars. But this time, with the mass movement on the upswing, the ploy failed.

Investigation into the ceiling surplus case showed that all the relevant papers had disappeared from the concerned offices, right up to that of the district magistrate. Such collusion between the administration and the landlords is nothing new.

The ceiling law applies to temple lands, as to others, on the basis of the number of 'families' of gods in the temples. According to the records of the Survey Settlement of 1966-67, there were only three gods in two families—Ram/Janaki constituting one unit and Laxman another unit. But when the land consolidation survey was carried out in 1987, mysteriously another six 'families' of gods appeared in the records—Laxminarayan, Mahavir, Ganesh, Durga,

Mahadev and Suryanarayan. A servile administration was helping prepare the grounds for evading the ceiling laws.

With the revival of the movement the BKS took up mass mobilisation combined with militant action. The revival was signalled by a struggle on the land of one of the smaller brahmin landlords. The landlord denied his banihar his rightful share of the crop. The BKS decided to forcibly cut the crop due to the banihar. The attempt led to an armed clash. Though this attempt in itself was unsuccessful, the struggle continued. Finally the landlord was forced to pay Rs 600 to the banihar as the value of his share of the crop. In this struggle, where the target was just this one brahmin landlord, other brahmins initially did intervene on his side. But in the face of the BKS' determination to continue the militant struggle, the unity of the brahmins broke and the concerned landlord was then forced to come to terms with the labourers.

Emboldened by success in the banihar's struggle, the BKS renewed the attack on the main enemy, the big landlord. In 1986 the goondas terrorising the village were attacked and driven away from the landlord's local centre, known as chhavni. In these clashes women played an important role, when the men had fled the village after a police attack, the women went forward to confront and drive away the police, snatching their arms in the process.

The revival of the BKS movement resulted in the landlord, despite deploying some seven tractors not being able to cultivate the lands in 1986. The land remained uncultivated in 1987 too. Rather, the shift in the balance of forces was reflected in the fact that the kharif season of 1987 it was the BKS that cultivated and harvested some 8 acres. The land was collectively cultivated and the income kept for continuing the struggle. The land has also been sown for the kharif season. Here again, the small landlords and others from the brahmins did not intervene on the side of the big landlord. The continuing mass movement has forced the district administration to intervene and initiate proceedings for declaring at least part of the disputed lands as surplus.

The above is an account of a protracted land struggle in one village in the 'naxalite' belt of Bihar. Though it concerns just one village, nevertheless some points do emerge from it.

In this struggle can be seen the development of the peasant movement from the initial situation of passive submission (accepting even the demand to perform begar), through active opposition (raising the wage demand) to counter-offensive (demanding the distribution of the big landlord's ceiling surplus lands). While in

the first phase of the movement the wage struggle was instrumental in rousing and mobilising the agricultural labourers and poor peasants, yet an undifferentiated wage struggle united the middle and rich peasants with the landlords, big and small. This weakend the struggle of the agricultural labourers and poor peasants. When, in the next phase, the seizure of the ceiling surplus lands of the big landlord, became the focus of the movement, it was possible to neutralise all other exploiting elements. This neutralisation, however, became effective only when the movement of the agricultural labourers and poor peasants gained in strength and militancy. Further, this neutralisation was not achieved at the cost of the agricultural labourers, as seen in the fact that the revival of the movement was occasioned by the defence of the rights of a farm servant vis-a-vis a small landlord. In its demand for land the movement has gone beyond that of the registration of sharecroppers, and thus cuts at the root of feudal land holding. This again, has only been made possible by a militant, mass movement opposing the extra-economic coercion the landlord has brought to bear. Finally, the movement has asked that title deeds be distributed jointly in the names of men and women. By raising the question of the land rights of women, rather than the peasant movement being divided, what is observed is its strengthening, consequent upon the greater democratisation within the peasant movement as it attacks feudal landlordism.

The land struggle in the village of Basuhari still has a long way to go. As this example gets multiplied manifold, the resulting agrarian movement will certainly shake the semi-feudal agrarian system and the political power of the big, feudal landlords of the area.

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# Comprehensive Area Development in Tamluk

Arun Ghosh

The Comprehensive Area Development Corporation, an organisation with well-paid personnel, has certainly helped to improve agricultural productivity, supply of farm credit and the marketing of farm products. But it has not been able to bring about integrated development even in the limited areas of its operations.

THE CADC is an institution started in the mid seventies, with the objective of bringing about 'comprehensive area development' in a few selected areas—21 in all in West Bengal—which may be taken as the model to be followed in other areas, the CADC staff being expected (originally) to move from one area to another, as development in one project area gets well under way. This has not come about, but that is another story.

Tamluk-Tamralipta of yore-is a bare two hours drive from Calcutta. We have been on part of this road before, but the road surface seems quite different from the earlier experience during the trip to Junput and Digha not so long ago. Something has happened—the road has been repaired and given a smooth black top. We make good time, and soon after 10 am we are in the CADC office at village Kelomal approximately 5 km north of Tamluk. While BD is organising his meetings, we are whisked off to Radhamani bazar close by; they have a twice weekly hat there, apparently major events in this area. The Tuesday hat is the big occasion.

What is the major activity/product around which the hat is centred? Very strangely, it is cotton yarn—hank yarn required by weavers. Is there any yarn supply nearby? No, the yarn comes from Calcutta—Burra-bazar to be specific since there is no local supply of yarn. Is Tamluk a very important handloom weaving centre? Not really. They do produce gamchhas and some (relatively poor quality) bed covers. Also, mosquito nets. That is the sum total of weaving activity in and around Tamluk. But buyers of the yarn come from far and near, from Orissa and even from Bihar, as also from neighbouring areas in West Bengal. For some reason, Radhamani bazar has become the place for yarn purchases. They sell both white and coloured yarn for which the dyeing is done locally.

There are nine major wholesalers around here who control the market.

Some of them also buy back the gamchhas and other woven material, brought for sale in the hat. The CADC officers guiding me express great unhappiness about the cartel of the nine wholesalers. They have just raised the price of yarn this week, by nearly 8 per cent. They keep manipulating the prices of yarn as well as the woven materials. A visit to a couple of yarn dealers is hastily organised. Most of the sales are in respect of either 17 count yarn—for gamchhas, or 40 count yarn for all other products woven around here. These are the only two counts of yarn bought and soid here.

There seems to be no proper rationale for the development of certain markets, or even of certain occupations developing in certain areas. Coming to think of it, one can find little rationale for Radhamani bazar developing as a major market for eotton yarn. It is not at a crossing of major highways, so it does not become a focal point for a number of different places. Nor does it not produce yarn. That comes from Calcutta. It is not a large weaving centre. Nor is there a large local demand for different types of cloth woven with 17 and 40 count yarn. Somehow, these are the only two types of yarn bought and sold here. Nobody ean quite explain how this market came to grow this way, so as to attract dealers even from

A visit to a dyeing establishment is educative. Most of the dyes us d (or bought and sold) here are kutcha, even though fast colour dyes are not all that more expensive. The weavers are reluctant to pay the slightly higher price for yarn dyed with fast colours. Again, this is a phenomenon hard to explain. Is it that with the high price of yarn, every small price difference for dyed yarn begins to matter?

Half a dozen persons are working on vat dyes. It is a very simple process, reminiscent of 18th century England. There is a shed and a dozen open fire ovens (fired)

by coal)-earthen pit fireplaces reallyon which the dyes are being mixed with water and heated in huge pans. One man is working on a blue dye, another on a maroon one, a third one on black, and so on. Maroon and deep blue are the two favourite colours apparently, for more than one person is doing each of these colours. The hank yarn is slid into a strong wooden rod and dipped into the pan where the dye is being heated. The worker has a huge leather glove in one hand and rolls the hank which is soaked again and again to give it a uniform colour. The liquid is then squeezed out and the hank is hung out to dry in the sun. That completes the process. The yarn takes a few days to get completely dry and ready for the market.

In this establishment, the workers are not piece-rated, surprisingly. They are paid Rs 10 per day for an eight-hour stint. The difference between uncoloured yarn (Rs 130 per bundle) and coloured yarn (Rs 142 per bundle) covers the full cost and leaves a small profit for the dyeing establishment. Somehow, the weavers prefer the non-fast colour (dyed) yarn at Rs 130 rather than the fast colour yarn at Rs 142 per bundle.

The CADC officers continue to rail against the nine wholesalers. There is nothing one can suggest except the formation of co-operatives of weavers, to prevent their being exploited by any cartel of yarn dealers. They could then obtain their yarn directly from Calcutta. The CADC officers feel it is a conspiracy of the cotton yarn mills; they are not prepared to sell yarn to the CADC. Well, if the requirement is large enough, and if the CADC could give guarantees as to volume purchases; it could perhaps enter into an arrangement with some spinning mills elsewhere in India. The same would be true of a co-operative. A co-operative would also find a market for the products more easily, through the diverse government agencies buying handloom products from co-operatives.

Have the CADC tried to contact the spinning mills directly, or talked to the weavers with a view to getting them to form a eo-operative? No, they have not.

### 'SOFT' ON WORKERS

This highlights another problem. There are a number of spinning mills under the government of West Bengal. They are all operating well below capacity, their production costs are high, the quality of their yarn is poor, their yarn is high priced, and not available in adequate quantity. The one at Kalyani has a negative net value of output; its losses exceed the wage payment. Of interest on capital lent by the

state government, it pays none, it has no cash. If Kalyani could only increase its output, it could solve both its own problems and that of the weavers in the state who are perennially facing the problem of yarn supply at reasonable prices. In fact, that was why the Kalyani unit was set up; and another unit in West Dinajpur is in the process of being set-up.

But there is a snag. Every citizen of West Bengal seems to consider the government, or the government undertaking where he works, as a convenient milch cow. We all have only a charter of demands and no responsibility. The Kalyani Spinning Mills is not the only example. The Ahmedpur Sugar Mills in Birbhum has a cost of production of something like Rs 18 per kg of sugar. The Oriental Gas Company has little or no gas to sell; it harbours a large staff, many of whom are past retirement age, with no work, no responsibilities, only a wage payment to collect at the end of the month. The Westinghouse Saxby Farmer has two units. In one, the workers do not permit the managing director to even enter the premises. They have done no work for several months, and the unit is as good as closed. And yet, come the end of the month, the workers must be paid their wages. These are not isolated examples; they are typical.

Years back, Gunnar Myrdal had described India as a 'soft state' (see his Asian Drama). West Bengal is certainly soft on organised workers. A Lest Front government cannot be harsh on workers, apparently. But we forget that thereby we are all becoming avoidably harsh towards the millions of unemployed, backward, underfed people whose standards cannot be raised because our resources are being drained to mollify a few unscrupulous and undeserving pressure groups. The call of the workers of the world to unite is apparently meant for those who have somehow managed to get on the pay rolls of the government or of some enterprise. They constitute the urban proletariat. They are organised. The call does not cover the millions of underemployed and underfed in the rural areas, or even the jobless in the urban areas.

But we must get back to Radhamani bazar. If this place is such an important market place for yarn and certain varieties of cloth), should not part of the prosperity of the traders rub off a little on the local population? Where are the signs of the 'trickle down' effect? May be our traditional Indian businessmen still continue to lead an austere and frugal life. Their appearance would give no indication of the riches they have accumulated. Certainly, the presence of a few millionaires does not appear to have improved the lot of the general populace in Radhamani bazar.

Next on the schedule is a visit to Haridaspur and Rasikpur. They have built a set of community latrines here, in Haridaspur area. It may serve about 10 or 12 hamlets close by, if they choose to use the facility. The latrines have been ready for some months, and judging from their looks nobody has used them yet. There are two of them, one for women and the other for men. Should be a boon for the women one would imagine, but our thinking is obviously conditioned by our urban background. But no one has started using the latrines yet. Though served by a septic tank, one does not quite know how it is going to be kept clean by the users. It can become a real nuisance otherwise, at least to the families living close by. The cost is approximately Rs 900. That is fine, but have the CADC officials considered the implications of the new experiment? Nature has many scavengers, but any form of upkeep of a latrine is anathema to a caste Hindu. And one can imagine what the place would be like if the users do not volunteer to keep it clean.

One is reminded of a similar experiment in Iran where in the words of George Foster (see Problems of International Health Programmes, New York) "overlooking the fact that the dry atmosphere dries up the fecal matter and flies do not breed, exponents of 'advanced' western public health methods produced latrines which, when used, became stinking fly breeders!

The next visit is to a children's nursery. The villagers in Rasikpur have donated a fairly large space and a long series of huts. They have formed a women's organisation which would run the nursery. About 20 to 30 children of different ages are sitting in two rooms, loudly reciting nursery rhymes, one lady supervisor in each room watching over them. It is a creche essentially, where working mothers—and they are all working mothers in the villagescan leave their children. An unusual sight in an Indian village. But a very innovative idea indeed. The CADC officers inform us that they are planning to break part of the mud structure and build afresh to CADC specifications. But why? What is the sanctity behind the CADC specifications? Why destroy a perfectly good structure? Can they not extend the building? Well, yes, they could. It is best to leave it at that. It never helps to argue. People would do what they want to do, anyway. Why tax their patience and abuse their hospitality?

The Rasikpur women specialise in making a natural dye out of the clayey mud in the ponds nearby. The process is

bottom of a pond) is carefully-selected and dumped into a pit which is then filled with water. The muddy water is then poured into earthen jars, covered with a saucer, and left in the sun. The water dries up leaving a thin coating of a shining brownish yellow sediment. This is neatly cut and scraped off. When burnt, it gives the colour of tiles or bricks, and is in great demand. The price varies between Rs 40 and Rs 60 per maund, the present going price being Rs 60. It takes 10 days to a fortnight for the clay to dry up inside the earthen jar.

A woman working wholetime can manage up to 4000 jars, we are told. This is purely theoretical, though. In fact, they generally have 100 or so each. They have other work, other chores. Until the rains come output is quite high. They have no problem in selling their product. Somebody comes in a jeep from time to time and takes the stuff away, the entire quantum available. The ladies generally make about Rs 100 per month extra—depending upon the number of jars they can manage. The jar is their only investment.

On the way back, we see quite a few villages where almosi every hamlet has a few hundred jars. So, this is the source of the 'geri mati' colour used for colouring flower pots, brick walls, etc.

The early afternoon is set for a fish netting operation in Ramakhalus, a village close to the CADC branch headquarters. Before we get there, one finds a shed with a large number of looms standing idle and abandoned. The proprietors who had formed a co-operative just could not manage the unit and have closed it down. They have offered it to the CADC, but there are no takers. It could be made into a training institute, but the problem with training institutes is that they must be subsidised since the output is likely to be of uneven quality and therefore, difficult to sell profitably. Also, to run a proper training institute, one needs better infrastructure. This can only be a production unit, but to be successful, a production unit has to be assured of a market, have a good supply of raw materials and be worked by efficient workers.

The fish netting operation is interesting to watch, for one unversed in these operations. This is an operation which should, in fact, be repeated frequently, once a month if possible. One lets the fish off at the end of it, but the operation gives the fish exercise, removes carbonaceous material from the bottom of the tank, and generally helps clean up the pond. But it is expensive, casting the owner of the fish pond anything between Rs 60 and Rs 80. i for every netting operation. Some eight people are required for the netting operaunusual yet simple. The clayey soil (at the tion, four on each side, holding the net

in position.

There are some really big fish here, which is surprising, since normally the catch is sold out before the monsoon when fresh fish fingerlings are introduced into the pond. We see some 10 or 12 pounders of the carp family. This pond is well stocked, apparently, for the net is full, and they have a problem releasing the fish undamaged after freeing them from the net.

Fish do not breed in a pond; they must have running water. But they can be nurtured in a pond, and fish fingerlings have to be bought from specialist fish farms, one of which is scheduled for a visit later in the evening.

All through the day, ever since we left Kolaghat and turned towards Tamluk, the landscape has been most inviting and pleasing to the eye. There is boro paddy everywhere, generally ready to be liarvested, in places already harvested and in others still green. More importantly, there is a lot of foliage all around. During the drive to Haridaspur and Rasikpur in the morning; the drive from Kelomal to Ramkhalua; the drive on the canal inspection road to the home of the fish breeding expert, in the evening, one sees green foilage and thick vegetation everywhere. The area is full of ponds, lined with banana trees, and the thatched hamlets present a peaceful sight, with the golden sight of the sun lighting up part of the roof not laden with pumpkins or gourd in almost every hamlet. The landscape here is totally different from the one encountered on the way to Digha and from there to Midnapore only a few months back. Then, the countryside had appeared dry, barren. The aman paddy had been harvested, but for miles around, one saw just bare farmland soaking up the sun, radiating heat. Of course, where we stand now, we are not far from the saucer-like bowl of Moyna where drainage is the main problem. Apparently, Tamluk gets the advantage of Moyna's excess water, without all its disadvantages.

The weather too has been pleasant. All day, the clouds have been playing hide and seek with the sun. The breeze is cool and pleasant. It does not appear we are tramping the districts in the height of summer. What a difference it makes to one's psychology, to one's impressions on and reactions to a place one visits for the first time, this combination of nature and weather. Add to that how man has guided and contrived mother Nature-whether she has been gently nurtured or ravaged and despoiled-and you can be certain whether a casual visitor would be attracted to or repelled by a place. The peace and tranquillity of the villages in the afternoon sun, the beauty of the ripening boro paddy everywhere, the beauty of the heavy foliage around every village pond, this is a totally different face of rural Midnapore north of the Haldı river as compared to the neighbouring blocks south of the Haldi river.

Back at Kelonial, there is little to do immediately, but there is a refresher course of instructors of adult education going on in a corner of a neighbouring school building. The CADC officials lead its there.

R G has come from Calcutta three days back on an inspection tour, and she was herself taking the class. If ever there was a persuasive, logical person, it is RG. But privately, she despairs because of the difficulties of the adult education programme. There are too many dropouts. Incvitably, there are, in every class, people of different age groups; and the older they are, the slower are they to imbibe the lessons. Then, there are the agricultural seasons, and adults have to get out into the field for the whole day-education has to wait. And when they are back, they are out of their depth, tired and have an understandable tendency to slip away. Another reason for the high drop out rate is that instructors lack good publicity material. The attendance would be better if they had educational films to show; if the lessons could be related to the practical problems faced by the farmers and by the village people generally. But there are no such films generally available. The few that exist are in Calcutta, in the vaults of the information department taken out from time to time to be shown to VIP visitors. The workers in the field rarely get them. They cannot teach at night when it is dark-for the villages lack powerand during the day, the adults have to work for their living. It is discouraging, the high drop out rate. So the instructors, themselves poorly paid, get discouraged. How does one make a success of the adult education programme?

There is no answer to most of the questions, though one could endeavour to see that proper publicity material including films are sent to all adult education centres. But the main problem here is the paucity of resources and where one should deploy scarce resources. Should we spend more money on primary education, or supplying free books and exercise books. or mid-day meals to school children, or on adult education? One can send an occasional film to each place. One cannot ensure an endless chain of entertaining educational material for each adult education centre. What one really needs is individual attention, to suit each adult's timing as also specific needs by way of education. But are our instructors up to it?

The entire scenario is depressing. The faces of the would-be instructors one sees are dull, listless, without hope, without ex-

citement, without enthusiasm. They are basically educated unemployed rural youth-young men and women who have come to this profession only because of the absence of any better opportunities. They do not seem to be impelled by any idealism or enthusiasm, nor is their own educational level high enough to enable them to improvise. They probably chose this profession as a career, and they can hardly be expected to use imagination to make their lessons interesting. Given all the above difficulties, what hope is there of the adult education programme succeeding? And if this is the state of affairs in the CADC-which is a selective, concentrated attempt, at a fairly high cost, to bring about change over a limited area of 10,000 acres per project-how would the other adult education centres fare?

#### TAMILIK'S PAAN MARKET

It is time to leave, for I have a date in the Tamluk nunicipal offices, with the chairman and vice-chairman of the municipality (GM and PKD, respectively). Tamluk is a very big market for pann (betel leaves), almost every farmer in and around the area having a paan boroj or two. Indeed, during the morning, we had visited a couple of small farmers, both quite prosperous. We had been taken round a number of the covered, bamboo frame shacks meant for the growing of paan. The farmers were very patient with their ignorant visitor and had explained how exactly they nurture the paan leaves. what type of rots to fear, the remedies, the soil nutrients suited for paan growing. One of them seemed to be efficient resourceful; he was able to get up to Rs 500 per 1,000 paan leaves, or Re 0.50 per leaf at his doorstep. Even if this were a temporary windfall, and were not to hold good, our paan grower was not doing too badly. He was growing both the mithey paan and the desi paan, and both were very large sized, and apparently the prefered kind. Tamluk, we were told by the CADC officers, sends out nearly 1 crore rupees worth of paan leaves daily, to all parts of India, Calcutta being a major market and the paan trade is the most important activity around this area.

The municipal offices in Tamluk town hall also contain a small museum, built up by a small team of people of whom the vice-chairman of the municipality is one. A visit to the museum is quite rewarding. It is a small collection in two rooms, but very neatly maintained. Here are potteries of the Kushan period and earlier, some with Egyptian influence writ large over them, all relics found in this area. How did Egyptian influence reach these parts? Did the Phoenicians of old travel in their papyrus reed boats from the Red

# BHARAT FORGE LIMITED

Registered Office MUNDHWA, PUNE CANTONMENT, PUNE 411 036

# Chairman's Speech



Speech delivered by
Dr. Neelkanth A. Kalyani,
Chairman to the Members of the
Company at the 27th Annual General
Meeting held on February 25, 1988

#### LADIES & GENTLEMEN,

On behalf of my colleagues on the Board of Directors, and on my personal behalf, I extend to you all a hearty welcome at the Company's Twentyseventh Annual General Meeting and thank you for sparing your valuable time and making it convenient to attend this meeting.

The Annual Report, containing the Directors' Report and the Audited Accounts for the year ended 30th September, 1987, sent to you alongwith notice for this Annual General Meeting has been with you for quite some time and, I am sure, you have had the opportunity to peruse them.

As you would have observed from the Directors' Report, your Company has continued to maintain an upward trend in its business operations. The Directors have recommended a dividend of 25% i.e. at the same rate as last year, in order to conserve resources for new investments and for contingencies. Your Company has maintained its levels of export business and with a more diversified customer base, and hopes to maintain the upward trend in its future export performance, including the current year.

The turnover of the Company in the first four months of the current year is higher by about 44% than that during the corresponding period of the previous year.

The unprecedented drought has resulted in heavy burdens being placed on the country's resources. It is imperative that the new investments yield better outputs, with more efficient and effective use of scarce capital. The adverse effects of drought extend to the Balance of Payments front, as substantial imports of wheat and edible oils will be required to maintain the price front. Coupled with the effects on account of repayments to the I.M.F. at substantially higher rupee-equivalent SDRs, the country's export effort requires to be taken up on a war footing. Setting up of an autonomous National Export Authority, charged with the responsibility of achieving export targets, and with authority to give speedy one-point clearances and concessions, might be a step in the right direction. In the first instance, the proposed National Export Authority could deal with the cases of all exporters who have exported on an average more than Rs. 50 million per year in the 3 years preceding April 1988.

Another point that I would like to make to encourage exports is to look for net foreign exchange earnings, and further to replace the existing legal agreements with a system of tying up the import requirements of the person concerned, each year, with his actual export performance in the previous year. Export obligations should be permitted to be taken up by companies promoting the company which undertakes the export obligation, in consideration of the industrial licence given to the promoted company. Fulfilment of export obligations should be permitted by export of manufactured or processed items by the company undertaking the obligation, which items may be from an Industrial Segment outside that for which the industrial licence is given. If it is felt that exports of the proposed items are easier than exports of items from the segment to which the industrial licence pertains, the proposed exports may be weighted by a factor less than unity, depending on an appreciation of the difference in the exportability of the items in question.

In my speech last year, I had referred to availability of export credit on more competitive terms, and I am happy to state that Government and the RBI have already taken action on this. But Government has yet to respond to another suggestion, viz., the doing away of the convertibility option on rupee loans availed of by units in export-oriented thrust industry. This should also be extended to companies availing of rupee term loans for projects involving export obligations, as well as to companies availing of rupee term loans for OGL imports.

This time we are meeting before the presentation of the Budget Proposals by the Honourable Finance Minister, I would like to fervently hope and pray that the forthcoming budget strongly stimulates the capital market by lowering Capital Gains Tax, giving a separate tax-exemption limit for dividends, permitting the issue of non-voting equity shares and giving larger tax concessions for equity investments in new companies. The Finance Minister should also consider lowering the burden of levies on our principal customers, the Commercial Vehicle industry that has had an unprecedented period of stagnation of six years, and which is one of the highest employment generating industries. Similarly, the Mini-Steel and Alloy-Steel industry, that is our principal source of raw material, is facing unprecedented increases in the prices of melting scrap, and hence the import duties on scrap should be abolished. As far as the Forging industry itself is concerned, the Finance Minister may like to consider the problems arising out of a re-classification of Forgings under the new Classification Head 7308.90, as a result of which Forgings hitherto exempt from excise, are burdened with an excise duty of 15% ad valorem.

This year I would like to make a special mention of the special efforts made by our workmen to upgrade quality and to reduce costs. They have taken eagerly to the newly set-up Quality Circles, and have identified themselves with the common aspirations of all of us to continue to maintain our position as the No. 1 Forge Shop in the country.

I take this opportunity to express my sincere thanks to the Central Government, the Government of Maharashtra and the Financial institutions/Banks for their encouragement and support to our Company. I would like to thank our collaborators for their help and assistance. I would also like to place on record my sincere appreciation of the contributions made by the employees at all levels, under the overall guidance of the Vice-Chairman, towards the Company's progress and growth.

Whilst concluding, on behalf of my colleagues on the Board and on my personal behalf, I convey our gratitude for the confidence you have reposed in us. I sincerely hope that you will continue to extend your whole-hearted support and confidence in future as well, to enable us to further improve the working of the Company.

Thank you.



NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.

Sea ports to the east, bringing with them the culture, the arts and the products of Mesopotamia and of ancient Egypi? Or did Indian sailors venture out, across the Indian ocean, and up the Red Sea? Here, in the Tamluk museum we see instruments dating back prior to the iron age—harpoon heads and fish hooks made of animal bones. Here we see coins, again dating back to the Kushan period, some others undated, as well as coins of the Moghul period. There is evidence of Buddhist civilisation in Tamluk—or Tamaralipta of old—among some of the potteries and other finds.

There was a Buddhist stupa in Tamralipta. It has reportedly been built cover, with a Durga temple constructed on what seems to be a mound. That mound is really the stupa of old, but then how does one prove it without excavating, which is no longer possible with the temple above? Let the stupa remain hidden, shouldering the weight of the Durga temple.

PKD takes me to a few paan markets. There are seven or eight of them I am told, and we visit three of them. It is an impressive sight, the transactions in these wholesale markets. There is no noise or din. Huge baskets are filled to the top with paan leaves neatly placed in circles, the radius slowly narrowing until the basket is full to the top. It is then covered up with the banana leaves and secured. Basket after basket is being filled up, the paan leaves counted to the last leaf, and packed ready for despatch. A 'muhuree' or a clerk is jotting down details. The buyer is standing by idly, at a distance. The deal has been closed; he is only watching the packing. Soon the baskets are carted away. They will either leave Tamluk by truck or by a goods wagon, depending on the destination.

PKD confirms the CADC estimate that paan exports from Tamluk average around Rs 1 crore a day. One can believe it. In the space of half an hour, I saw hundreds of baskets being carted away. It is the end of the day, and the business has already tapered off. And there are seven or eight of such markets in Tamluk town. Back in the municipal offices, we have a chat on municipal affairs, on the state of municipal finances, on the various development programmes they have in mind. They have identified a plot of land on which they want to build a new municipal market, to meet the demands of the expanding population. Tamluk's water supply dates back 40 years, and nearly two-thirds of the present (and still growing) urban population has to be provided with tap water. The market is likely to cost Rs 7 lakh to build; the water supply project would require Rs 90 lakh. Tamluk is stituated at the end of a saucer-like bowl-the famous flood

prone area of Moyna. They have to plan a proper drainage system. The roads to Tamluk need repairs. Tamluk's revenues are totally inadequate to meet its growing needs. They need financial support for the capital works to be undertaken. They also need the services of an architect-cum-town planner and a surveyor who can help them draw up a blueprint for the town.

One can understand the need for an architect or a surveyor or of other technical experts. But why does Tamluk need capital assistance for constructing a market? Can the required funds not be raised by asking people to pay in advance for allotment of valuable office/other space in the market? Pat comes the answer: they want to build the market for the 'have-nots'. Please do so by all means, but in the name of the 'have-nots', how many haves will grab this valuable urban space? Suppose they were to construct a double storied building (for part of the area), the first floor could be leased to doctors, lawyers, traders, other professionals or affluent people who may want space for opening clinics, offices and shops. Tamluk is fast developing as a major shopping centre for both neighbouring Haldia on one side and Kolaghat on the other. Suppose they build a really modern market with 20 suites and say a hundred or more earmarked 'spaces', on raised platforms, for the have-nots, they could advertise for the allotment of these suits to bidders who would pay, say, Rs 1 or 2 lakh each as advance deposit money. They can then raise enough money for the construction of a decent market (and not limit their construction outlay to Rs 7 lakh as planned at present), and then use a small fee charged from the occupants of the market space to maintain the market in good repair and even to augment municipal revenues generally. We must ali try to become financially indepedent and viable. How else are we going to find the funds required for local development everywhere? If the state provides a subsidy to one municipality—and it should do so in order to upgrade the basic infrastructure and social services in many areas, how can it deny the subsidy to all other areas? Where is all this money to come from? Tamluk is relatively prosperous. Can they not think of becoming self-sufficient and independent of the state government?

Then, there is the paan trade in Tamluk. For convenience, let us assume turnover from paan exports works out to Rs 300 crore annually. A 0.1 per cent tax on the turnover would not hurt, but would net for the municipality a revenue of Rs 30 lakh annually. This amount could help the municipality to upgrade all its services. In fact, not every area is as well endowed as Tamluk appears to be in respect of possi-

bilities of augmenting municipal finances.

The chairman promises to think over the possibility, but one does not know whether he is merely being polite. It is the same all over, Calcutta being the worst offender in this regard. How much inequality is being perpetrated in the name of the so-called 'have nots' for whose welfare or even employment we do not have any funds which are required? A sizeable part of the plan outlay of West Bengal gets dissipated in Calcutta. And yet, Calcutta is rich and prosperous. At any rate, Calcuttans are much better off than the people outside Calcutta. He enjoys civic amenities, but does not fully pay for them. Every facility in Calcutta involves a heavy subsidy, be it sewage, water supply, or transport, or education and health, milksupply, even electricity supply. The CMDA alone claims some 10 per cent of the plan funds. Add the transport, health and education sectors--anything like onethird of the total plan outlay of West Bengal goes to Calcutta. These are for new works. The maintenance expenditure is met from the revenue budget and a preponderant share of the revenue expenditure in West Bengal goes to shore up the facilities in Calcutta, in terms of the current outlay on education, health, transport subsidies, subsidy on milk supply, et al.

This is the irony. Our hearts bleed for the 'have-nots'. But most of our current subsidies and plan outlays go to pampering the Calcutta citizen. And yet look at the lifestyle of a section of the Calcutta population. They live in palatial buildings walled off from the rest of the community, with large gardens. The houses are like veritable palaces. Or else they live in luxury apartment buildings in exclusive residential areas like Alipore or the Dhakuria take side. They have their private generators for power supply when the state power supply fails. They have deep tubewells for their own water supply. They have armed guards at the gate to prevent intruders. And what taxes do they pay? Take even the 'bhadralogs', the middle class of Calcutta. What taxes do they pay for the civic amenities enjoyed by them?

Calcutta could raise plenty of resources. Take the urban property tax in Calcutta. It is inconceivably low when compared to other metropolitan areas in the country. The property tax in Calcutta includes the charges for municipal water supply. Considering the enormous investment required for the development of the Salt Lake area, this must be the most expensive, most heavily subsidised urban settlement in the whole world. For whose benefit?

The report of a high level committee appointed by the state government—under the eminent economist Bhabatosh Datta-on municipal finance, is gathering dust on the shelves of finance department officials in the Writers Building. That committee had made many recommendations in regard to the raising of municipal revenues, among them the property tax. But property taxes cannot be raised in Calcutta. A survey recently conducted by a responsible team discovers, inter alia, that in one particular market alone, near Sealdah, the owner of the market charges a daily fee of Re I per headload of stuff brought by hawkers to be sold in the market. This is a daily market, perhaps one of the biggest in the whole country, may be in the whole of Asia. The headloads are estimated to vary from 20,000 to 25,000 daily. Leave out the permanent stalls, the wholesalers and big retailers doing business here. The daily income for the market owner from hawkers alone would range from Rs 20,000 to Rs 25,000; and considering that this market is closed for only a few festival days (like the Dussehra Day), it should be open for some 350 days in the year. The annual income from hawkers alone would be between Rs 70 lakh to Rs 80 lakh; and the total income may be well above Rs 1 crore annually. The municipal records show the income from the market at Rs 4 lakh annually. The municipal tax assessment on this amount is still at the pre-second world war rate.

And now, take a look at the 'have-nots' who dwell in the slums of Calcutta. They pay perhaps Rs 50 or more per month for a small room in a chawl without a window, without water, without electricity, and without even sanitation, the residents of the entire area being required to attend to the calls of nature in or around a dirty sewage canal nearby, or some such convenient spot. They have, maybe, one tubewell—a shallow one—for the supply of potable water for all residents.

Why blame the poor chairman of the Tamluk municipality? He is only taking a cue from his peers. Revenue collection is unpleasant; someone else has to do the dirty work. It is an unpleasant thought, but it is the reality.

The vice-chirman of the Tamluk municipality indicates that they are seriously considering 'regulating' the paan market. That is essential and they would need to come up with some statutory basis for levying a turnover tax, for the facilities granted to traders in the regulated market. But that is not what they are thinking of. They want to fix a minimum price for paan sold in the market, in the interest of paan growers.

But please do not tamper with the pricing, one is reluctantly forced to advise. From what we had heard and seen in the morning, the paan growers are not getting a bad price. After all, the paan growers need a large market; and these traders have created a market for Tamluk's puan throughout India. Do not disturb the marketing system, because the paan growers can be hit really hard if the marketing of paun were to be disturbed and affected. What can be done is to tap a very small part of the paan traders profit. Good policy and bleeding hearts do not necessarily go together. Prices cannot be neutral to quality. Keep a record of the transactions, and collect a tax, certainly. But do not tamper with the market unless you can handle the marketing. And one knows that even the central government has not been successful in riding this tiger.

It is dark and quite late when we get back, but BD is still wrapped up in a party meeting for which party workers have come from far and near. We sit around the pond in from of the CADC office making small talk. Inconsequential chatter at the end of a long day is always a good way to case off your tensions. Nights are very quiet and still in the countryside; and it is so dark-you cannot see anything a bare five feet away-that peace and tranquillity come easily and naturally. No wonder the rural folk go to bed early. They have to get up early any way, to milk the cow, to complete many other daily chores before the sun is up. But when there is such deathly stillness around with the wide sky overhead, the stars appearing from time to time from behind fleeting clouds, the cool breeze of the late evening instils first a drowsy numbress of the senses and then pleasant memories, thoughts far away from the environment. No wonder the village folk are ordinarily more philosophic than their urban counterparts.

BD appears with a group of people. It is past 11.30 in the night. There is still the drive to Tamluk town after dinner, to the irrigation department inspection bungalow, where the poor caretaker has to be hounded out, made to make beds for us, arrange for various minor things like candles (there is power shedding, and the municipal lights are off). It has been a long day and one needs a shower. It is I am by the time one hit the bed, sans a ceiling fan, in the humid heat of Tamluk.

From Tamluk we head for Debra early next morning. The CADC office is at Dalpatipur village before one reaches Debra. It is a totally different face of Debra from the one we had seen earlier. This part of Debra looks much more prosperous than the Debra seen earlier, in the company of SKM, the Sabhadhipati of the zilla parishad. What a difference, not only in the scenery but also in the outlook and general approach of the two sets of people we meet on the two occasions. There is a lot of boro cultivation, much

more indeed than one would expect in this relatively dry part of the country, and the entire countryside looks green—not the dry, harsh appearance that greeted us in most parts of Midnapore, during December. Maybe this year, the rains have been exceptionally good; but then one does not plant boro paddy merely because of a good monsoon; one needs assured irrigation. Maybe they have all been overly optimistic this year. Or is it that the CADC command area is specially favoured?

Later we discuss this matter with BD, while driving back to Calcutta. The CADC command area is no doubt prosperous. But how can we make use of the CADC outfit for more than the development of a small area? Can the CADC experts not render better service by advising the district planning authorities, and assisting them to draw up local level plans as purt of the exercise at decentralised planning? There are problems; but perhaps some modus vivendi can be established, and indeed, needs to be established between different agencies and organisations of the state government. But that is where difficulties arise. The problem is our own ego. Each of us would rather be the overlord of a tiny kingdom than a small part of a large, thriving empire.

Before departing from Debra, I have some time to shoot out on my own. There is an enterprising fisherman nearby who has started a fish nursery. Pisciculture should have a bright future in West Bengal and it is strange that this state, with so many rivers, streams, ponds, lakes, such a length of sea coasts, so many inland creeks and backwater areas, should 'import' large quantities of fish from as far as Rajasthan, Madhya Pradesh and UP, One of the important needs in this connection is the supply of fish fingerlings. SB-that is the name of the enterprising fish farmer—has taken a training course in fish breeding. He comes from a fairly prosperous farming family owning 10 acres of land plus some ponds. He had worked out his own system of breeding fish fingerlings. He has large breeder fish in a well-stocked pond, from where he transfers them to a pit some  $10' \times 10' \times 6'$ . This pit is prepared by putting a layer of sand at least 6" deep. Water is pumped into this pit, from where it flows to a larger pit, some distance across, which is at least  $15' \times 15' \times 10'$ . The arrangement is to simulate flowing water, since fish do not breed in stagnant waters. The breeder fish in the first pit comprise both male and female fish. The fish-both male and female—are given pltuitary injections, the female first and the male 72 hours later. The female starts laying the roes and the roes are then 'enveloped' in the sperm of

the male fish. SB uses a feather to spread the male sperm smoothly, to fully cover the large cluster of roes. The roes are then allowed to spawn in the other pit; each cluster of roes yielding up to a lakh or more potential fingerlings. The final rate of survival is around 60 per cent; 20 per cent of the roes just do not get fertilised; those that do, start forming a bubble with the tiniest of a fingerling inside. These are then transferred to a larger pit where there are a few million such bubbles/fingerlings. After two to three weeks, the fingerlings are ready for the market. The going price today is Rs 400 per one lakh fingerlings; as the season advances, the price would come down to Rs 100 or less.

SB has taken a loan of Rs 5,000 from the CADC and another loan for the same amount from his bank. After clearing all his loans, he netted Rs 20,000 odd last year. He has other costs (and investments). He has a diesel engine and a pump lor pumping up the water, which provides the first pit with flowing water, necessary for breeding. He needs labour for cleaning the tanks and generally for other work. SB appeared to be brimming with confidence. He is made of true entrepreneurial timber

How does he make sure of the right number of male and female fish He has to be careful about the combination in order to get optimum results. He knows how to make out the male from the female fish. One simple test: the gills below the ear of the fish, they are rough for the male and slippery and slimy for the female. He can of course now tell merely by looking at them. Generally, he puts more than one male fish for every female; every female will lay roes, but the sperm of the male has to be enough to fertilise all the roes. Even so, one does not get 100 per cent success.

SB explains one important condition. The roes of the female and the sperm of the male must be from fish of roughly the same size, to get the best results. He advertises for good healthy breeders—large size fish—for which he is prepared to pay a good price.

When does one start operations? Unfortunately, he is already late this year, but there was work on the farm; and in any case, he cannot get hired labour until all the boro paddy has been harvested and put away. He has 10 acres of farmland, and that is his family's primary interest. This is his hobby, and his hobby pays him well. But his father is still the master of the household.

He owns three breeding tanks and has leased a couple more. The lease rate is ridiculously low: Rs 300-400 per annum. Apparently, people who own ponds here do not normally care to take up pisciculture themselves Partly, this is because

of joint ownership of ponds. Partly, the watch and ward problems are too difficult to handle. Any income one can get from one's pond appears to be a bonus. SB's fish fingerlings have a ready market. His stock is healthy and good, and his customers wait until his supplies are available in the market.

It is getting to be dark, and we wind our way back. There is the usual power cut. We sit out under the starry sky, the project director and a senior colleague of his, the project director of Bagnan-another CADC project area - as also the managing director of the CADC who has specially come from Calcutta. We talk over diverse matters. I have questions to ask about the CADC. They, in turn, are interested to learn more about district planning, reports of which have appeared in some newspapers. We discuss the need for and the possibility of getting the local people to start planning their own welfare. through the panchayats, starting from the gram panchayat, and ending with the zilla parishad. So far, the panchayats have been associated only with the implementation of the NREP and the IRDP (and one year, for the drought relief programme). Indeed, these programmes would not succeed but for the tremendous effort put in by the panchayats at diverse levels. The panchayats have also shown their competence-in different degrees-in the matter of planning and executing diverse local works.

So, there is nothing revolutionary in the idea that the district planning authorities under the Sabhadhipati of each district, should prepare plans for each district based on plans or programmes at the block level, prepared by the block level panchayat samitis, who in turn would draw up their programmes in consultation with the gram panchayats. Funds would be earmarked for each district, to be spent as per the approved plans of the local planning bodies. As these bodies gain more experience, the departmental plans would also be drawn up—to the extent they impinge on any area—in consultation with the area planning authorities. The district planning authorities need to be assisted by trained experts, engineers, economists and others (in particular, land use experts, agronomists, geologists trained in groundwater exploration, junior engineers and the like).

But the district authorities would need a lot of help, and a lot of staff, opine the CADC executives. Yes, indeed, they would. But, to begin with, their felt needs are so large and patent, they can set their own priorities without much investigation. What they really need is engineers to draw up blueprints and to implement them, the labour being available locally. Instead of

workers provided by contractors, the idle manpower in the rural areas would be used for construction. The more difficult problems would pertain to the co-ordination required between state level (departmental) plans and the district plans. Some of the CADC executives express deep interest in joining such an endeavour. Can CADC help in some way? It is our earnest hope that they can. But we must work out a modus vivendi.

The Comprehensive Area Development Corporation is an organisation with qualified and well paid personnel; but what is, in brief, its contribution to the West Bengal economy? In the limited areas where it has been functioning, it has certainly helped to improve agricultural productivity, supply of farm credit, marketing of farm products. But it has certainly not been able to bring out either comprehensive or integrated development even in the extremely limited area of its operations. Considering the investment in personnel and other facilities, it is again certainly not capable of being replicated. What, then, is its future in the West Bengal polity?

Fvery organisation develops its own vested interests, its lobby. The CADC is no exception. If the CADC personnel could be used for shoring up technical and technological advice to the pauchayats, the utility of the personnel employed herein would be increased enormously. But that would require a complete change in the very character (and organisational build up) of this agency. Maybe, some of the existing personnel would not even fit in; they have to give up their 'suzerainty' over an area, and submit to the will and judgment of the panchayats. Will that happen? It is hardly likely.

Either the CPM leadership does not quite know what it wants or it has less control than one imagines over its own cadres.

[These are excerpts from the author's forthcoming book West Bengal Landscapes shortly to be published by K P Bagchi and Cô, Calcutta, with whose permission these excerpts appear.]

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# Is IRE All That Safe?

Padmanabhan V T

The government appointed committee to report on the safety aspects of the Indian Rare Earths plant at Alwaye has given it a clean chit. But has the committee been provided with all the facts?

THE Valiathan Committee appointed by the minister of state for atomic energy has come out with a report which has been extensively used by the managing director of the Indian Rare Earths to prove that the Alwaye plant is very safe for workers and the general public. While the scientific credibility or sincerity of the committee members is beyond dispute, it is likely that they were not provided the full facts and files which would definitely have led them to the skeletons hidden in their cupboard.

Can the Valiathan Committee answer the following questions? In the shop floor of IRE, there is a pair of press filters where radium, mesothorium and uranium are separated from rare earths chloride. According to BARC's own report, the radioactivity at this place is 100 millirems an hour. BARC had in 1959 recommended that "all areas of excessive radiation field i e, 6 millirem per hour should be clearly demarcated by means of warning boards and signs. Direct entry of workers into such areas should be prevented by erection of suitable barriers. A log book should be kept at the entrance, in which workers should write the times of entry and departure from such areas." In IRE Alwaye, there are over half a Gozen workspots which qualify for this preventive measure. There is no such arrangement even at the press filters, which is a hot spot. All that I could see at this work place is a notice in English which read: Do not stand near the filter press unnecessarily.

At the press filters, there is no barrier between the workers and the radiation source, except their cotton clothes. This operation should be performed by remote control methods. In IRE, every worker has to do this job, four hours a day, 26 days a year. In other words, by this work alone a worker accumulates 10.4 rems of radiation a year, which in itself is double the ICRP limit. Workers have also to work at other sections for the remaining days. The BARC report says: "wastes produced in thorium processing also contain uranium compounds and contribute to toxicity besides radiation hazards. All disposal projects should avoid polluting public streams and contaminating the environment." It is in spite of this warning that the factory dumped over 13,000 tonnes of radioactive rare earths chloride into the Arabian sea during the fifties and the sixties (EPW, February 28 and March 7, 1987). The experts or the management has not refuted this data so far. More than. half of this activity is due to radiothorium

and mesothorium which have been categorised as Group I very high toxicity level radio-nuclide by the International Atomic Energy Agency.

According to the committee report (published in The Hindu) "about 782 tonnes of rare earths chloride could have been dumped into sea during the year 1958-59 which would have discharged 2.6 curies of Ra 228 into the sea". In the thorium series there are three elements with atomic number 228, mesothorium I (Ra 228), Mesothorium II (Ac 228) and Radiothorium (1h 228). The discharged rare earths chloride contains not just one daughter, but all the daughters of thorium and uranium. This statement also raises two scrious questions-(1) The management of IRE had repeatedly denied the charges that raic earths chloride/solid wastes containing the above elements has been discharged into the river or the sea. (2) Why was the committee not provided with an inventory of radioactive elements produced and disposed of in the past? Under the Atomic Energy Acts 1948 and 1962, the management is bound to keep such an inventory.

Regarding solid waste disposal, we have the testimony from a supervisor of IRE that many of the barrels were already broken even before being placed in the trench. We also have evidence to show that the acidity level around the disposal lite is considerably high. This can destroy the trench and the barrels from which radioactivity could leak into the river Periyar. Since all the monitoring is done by the captive research wing of AEC, the public would not even know if a major leak occurs. Regarding the disposal of solid radioactive waste, the 1967 BARC committee stated the following: "Disposal of solid thorium waste by land burial under controlled conditions appears to be satisfactory, provided the environmental conditions such as water table, proximity to streams etc have been well studied." The present waste disposal site, less than 150 metres from the river Periyar, could have hardly been the best choice.

The committee says that the cancer mortality rate in IRE is not at all higher than that of Kerala. For this they have used an incidence of 24,000 cancers in Kerala. This figure was arrived at by the Regional Cancer Centre, Trivandrum. The following quote is from the bio-statistician who calculated the cancer incidence in Kerala: "The data... was calculated by me and is based on population based incidence rates of Greater Bombay projected to Kerala's population. Thus it is

an 'estimate'. ... The crude death rate in Kerala, I read sometime back in a census publication was 6.4 per 1000. This would mean around 20,000 deaths annually which means almost 87 per cent of the incidence mentioned above. Some years back I worked the relation between incidence and mortality in Greater Bombay and it worked out that mortality was around 60 per cent of incidence rate. This really tells us how far we are off the mark when we take the cancer mortality as 13 per cent of deaths due to all causes. Your letter made me aware of the above aspects of the available cancer statistics in the state" Three years after the original author disowned his statistics, the expert committee quotes it to prove that IRE is safe for its workers.

The expert committee rules that the cause of genetic disorders of all the children of Karunakaran Pillai, a maintenance worker of IRE, was due to inbreeding and not exposure to radiation at his workplace. This was the opinion of a medical specialist of Lissy Hospital, Ernakulam. The expert committee does not seem to have gone beyond this diagnosis. The following questions remain still unanswered (a) In the case of inbreeding, which may cause autosomal recessive disorder, the statistical possibility is that one out of four children would be affected by the same disease. In this case, all children have been affected, and then too the disorder and severity differs from child to child. (b) It is true that inbreeding may lead to genetic disorders of autosomal recessive type. But this is an incomplete statement. Karunakaran Pillai belongs to the nair community, which has a considerably long history of first cousin marriages. On this Fraser Roberts and Marcuse Pembrey, authors of An Introduction to Medical Genetics note the following: "In a population, where consanguineous marriages have been a tradition for hundreds of years, the absolute incidence of recessive diseases is less than one might expect... In practical terms, a cousin-marriage in a traditionally inbred community is less likely to result in children manifesting recessive diseases . . ."

The committee also compares the number of sterile workers in IRE with their numbers in the general population. Medical texts say that 10 per cent of the couples in the general population are sterile, but then this figure is from the developed countries which have a longer history of medical and public health services. The workforce of IRE is drawn from a population which has had considerably lesser degree of exposure to antibiotics, preventive vaccines, chemical pollutants in the air, food and water. Among the above, medicine makes it possible for weaker members of the community to survive. On the other hand, chemicals in food etc, might contribute to mutations and sterility.

## **Agricultural Price Policy**

M L Dantwala

What Price Food? Agricultural Price Policies in Developing Countries by Paul Streeten; Macmillan Press, London, 1987; pp viii + 127, £ 9.95.

THE very first chapter of this delightfully brief book begins with a citation from the Song of the Shirt: "Oh God! that the bread should be so dear, And flesh and blood so cheap!" If the old woman wished to convey a message to the policy makers through her plaintive wail to lower the price of food, she would be told that she does not understand the economics of production and pricing of food. In fact, the policy makers in developing countries have been held guilty of keeping the price of bread too low.

During 1960s, T W Schultz, the renowned agricultural economist, rebuked the developing countries for their policy preference for industrialisation and viewing agriculture's contribution as supplier of cheap food. cheap labour and public revenue. As an example, he identified some countries and observed: "When countries like Nigeria. Chile and India want to keep their farm product prices low, the investment incentive for increasing the capacity of agriculture is thereby reduced." Simultaneously, he upbraided US policy of food aid by calling it "US Malinvestment in Food for the World". Many renowned economists in the west shared this view.

The World Development Report, 1986 reiterated the charge of discrimination against agriculture by developing countries. It specifically stated that "the general economic policies that developing countries have pursued have however limited the growth of agricultural production and hampered efforts to reduce rural poverty". It further asserts that "discrimination against agriculture... is very much an integral part of development strategies that promote domestic industries behind high trade barriers" and goes on to add that "such strategies are intended to accelerate the shift of resources out of agriculture by lowering its profitability compared with that of industry: in other words, by turning the internal terms of trade between agriculture and industry so that agriculture is worse off than it would be if domestic prices were aligned to relative world prices."

Streeten accepts that "a heavy weight of writing has now accumulated which shows that agricultural producers have been discriminated against in many low income countries". But many should not mean all. Aggregations often become illegitimate when made on such a huge scale, encompassing the entire geographical area of the developing countries. Streeten recognises this fact when he states: "The impact of price policies and other measures... wiil vary

according to the country and the crop' (emphasis added). Elaborating the point, he states: "It is possible to identify certain categories of crops and countries to which certain general principles apply, but in view of the complexity of the situations, great caution is necessary and only very rough and ready generalisations are possible" Aggregations often lead to building up of rigid dichotomies, such as agriculture-industry or rural-urban. In the process, dichotomies within these entities get ignored, leading to faulty generalisations. While talking about the rural-urban dichotomy in the context of price of food, the fact that a large percentage of the rural population including marginal farmers are net buyers of food is ignored. Apart from India, where nearly half of the rural households are net purchasers of food, "in Thailand one-fourth of paddy farmers are net purchasers of rice and in Bangladesh about 53 per cent of farm households covering 41 per cent of farm population are net buyers of rice."

Higher price by itself cannot augment production. The beneficial effect of incentive prices is conditional on non-price factors. "The whole burden of the argument of this book is that the absence of non-price measures (availability of credit, fertiliser, and assured water supply, transport, communication, tenurial systems, land distribution and many others), many of them in public sector, some of them public goods, impedes agricultural response to prices by themselves in developing countries." There must be institutional arrangements and above all new cost-reducing technology must be available to facilitate the incentive of higher prices to become effective.

If the non-price measures are absent, incentive prices will tend to be futile or may achieve the opposite of the intended objectives. Advocates of higher food prices should also bear in mind that the relative encouragement of one sector necessarily spells relative discouragement of some other sector.

Streeten does not accept the view that higher prices will induce complementary action leading to development of improved technology, transport, storage, more irrigation and better water control and management. Such development needs deliberate state action. For example, "the growth of basic scientific knowledge cannot be explained in terms of some linear function of prices".

Protagonists of high price are also reminded of the well established fact that the total agricultural response to price is quite weak. Binswanger et al find short-term aggregate supply elasticities in no case exceeding 0.06 and the highest long-term elasticities in the best cases to be only 0.3

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A Policy Perspective

B M BHATIA

Though the green revolution succeeded in the important task of making India selfsufficient in foodgrains, it has now exhausted its potential of improving the growth rate of agriculture over the country as a whole. Hence, it is imperative, argues the author, that India's planners and policy-makers turn their attention on an urgent basis to increasing the productivity of rainfed agriculture which accounts for 70 per cent of the cultivated area in the country.

In this insightful and hard-hitting study, Dr Bhatia outlines the progress made so far in agricultural production and the shortfalls that remain. He lists the problems and challenges that face our planners as also the deficiencies in our planning perspectives. Dr shatia develops the latter theme and argues that India's successive five-year plans have adopted a short-sighted developmental model which has neither aided balanced agricultural growth nor increased employment.

192 pages/225 x 145 mm/Rs 140 (hb)/Rs 65 (pb)/1988



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(quoted on p 15). Short-term increase in agricultural prices also would not raise supply in the long run and lead to lower prices "if the movement is on the same supply curve'. Price increase in conjunction with cost-reducing technology-if available and adopted-would lead to a downward shift of the whole supply curve. But even in this proposition some qualifications are necessary. "In a society in which power and wealth are very unequally distributed, the rise in the price of food may make the rich richer by leading to transfers of land, without leading to a lowering of the supply curve. This may have been the case in Bangladesh. A study of Thailand has shown that an increase in rice prices has hurt the rural (as well as the urban) poor, particularly those in the informal sector" (p 64).

To the question, what should be the benchmark for 'right' producer prices, Streeten's answer is "world prices for they represent the opportunity cost of domestic resources". The World Bank's criterion is the "ratio of farmgate prices to border prices" which would measure the magnitude of 'protection' or 'taxation' accorded or imposed on domestic agriculture. The universality of this formula, apart from its feasibility in the world of fluctuating exchange rates (which Streeten recognises), is questionable, at any rate for a large country like ours in which foreign trade in agricultural commodities constitutes a relatively small proportion of total agricultural production. Besides, there are situations in which farmgate prices may be 'low' and consumer prices may be 'high', in which case the remedial action would lie with marketing rather than with pricing.

Discussion in the chapter on 'The Politics of Food Prices' will be of particular interest to Indian policy makers and economic analysts. That political interests and pressures lie behind the policies of market intervention is a well recognised fact. Much of the discussion on the subject, however, is based on either ideological predilections or inadequate understanding of the political reality in different third world countries. Streeten believes that "the analysis of political interest groupings is useful to explain policies with respect to food prices, the prices of inputs, and the foreign exchange rate, but it can be overdone if narrow, competitive self-interest is regarded as the only motivating force.' He refers us to the writings of scholars who have helped to "deepen our understanding of human choice beyond the simple preferenceordering of economic man".

Whether we succeed in unravelling the complexity of political interest grouping or not, the fact—as observed by Streeten—remains that "the rural and urban poor are weak and powerless, particularly if not organised among themselves" and "in societies in which power and wealth are very unequally distributed, both low producer prices and high producer prices can reinforce the strength of powerful and rich groups". Yet, he endorses the thesis of "urban blas and discrimination against rural sector", in

particular, through low producer prices. One is left to guess which categories, 'urbanrural' or 'rich-poor' are critical to the understanding of the politics of food prices. If the majority of the poor reside in rural areas, as in India, and if the policy objective is to keep producer prices low but not unremunerative for a reasonably efficient farmer, will it constitute urban bias or tural bias? One is not clear whether we are talk-Ing about sectors or about the people. When we talk of discrimination against the rural sector through low prices, we are assuming that all rural households are net sellers of foodgrains and the net food consumers live only in urban areas.

Be that as it may, the chapter concludes with a sound advice: "Any analysis which claims to be useful to policy makers must not confine itself to the textbook variable of demand and supply, and markets, but must investigate the institutional and political channels through which demand and supply are expressed."

Few books on agricultural price policy will be able to match the brevity, lucidity and above all balance of this book. In a hundred and odd pages, divided into 24 chapters. some not exceeding two pages, the author distills all relevant knowledge and the requisite wisdom on agricultural prices and price policies. We have questioned the relevance of border or international pices as guideline for pricing of domestic agricultural commodities and Streeten's endorsement of 'urban bias'. But this does not detract from its overall merit. Along with 12 pages of 'Notes and References', it provides excellent teaching material. But above all, it is the policy maker towards whom the book appears to be targeted. He can use it as a shield against the 'foreigner pricist' and the domestic rich farmer lobby.

Streeten's support of higher food prices is hedged in by so many caveats that what finally emerges is the rejection of 'pricism' which Michael Lipton in his Foreword to the book defines as 'the belief that 'getting prices right'—largely by minimising state involvement in the pricing and marketing of outputs, inputs, and foreign exchange—is a comprehensible, attainable and optimal way to solve the problems of poor countries, especially in food and agriculture".

### **Economics of Pesticide Use**

### K N Mehrotra

Pesticide Use in Indian Agriculture by K Secta Prabhu; Himalaya Publishing House, Bombay, 1987; pp 154, Rs 60.

LONG and bitter experience has taught the man that to understand and control the pests and diseases that affect his crops and livestocks is a complex task. The introduction, mass production and marketing of synthetic pesticides, in the last 40 years made the task very easy. Spectacular successes with pesticides were achieved in the initial years. However, the development of resistance to pesticides in pest species, the adverse effects of pesticides on the naturally regulating processes of pest populations and the growing evidence of adverse side effects made it mandatory to relook the whole question of the use of pesticides in agriculture or public health. This rediscovery of difficulties in pests and disease control gave a spurt to research in a number of directions; first, into the ecological basis of pest-disease relationship; second, into methods of control that integrate chemical and blological methods; third, into improving the resistance of crop plants to pests and diseases; and fourth, into the socio-economic component of the pest control. The present book deals primarily with the fourth component, especially the economics of pesticide use.

The book is an outcome of a doctoral dissertation by the author submitted to Bombay University in 1983. The author has tried to analyse the economics of pesticide use in agriculture, especially cotton in Coimbatore.

The author's premise is that the general crop losses due to insect pests have increased in recent years, to 50 per cent or more

following the introduction of the high yielding varieties (HYV) of crops. The crop losses in cotton (a subject of present study) has been estimated to be nearly 40 per cent. This is so despite the fact that nearly 60 per cent of pesticides consumed in India are used on cotton. The author has studied the economic factors affecting the pesticides use behaviour of farmers with respect to cotton crop. She has used the data collected from a survey of 274 farmers growing cotton (varieties Varalakshmi, M CU 5 or both) in Coimbatore district of Tamil Nadu. Factorial analysis was done to establish relationship between the pesticides use and output, the fluctuations in relative prices, pest attack and effectiveness of pesticides, extent of use of other inputs, the economic status of farmers and the availability of finances. The author attempts to find out from the limited data available to her, the factors affecting the decision to use pesticides as well as the factors influencing the realisation of such decisions.

Not many studies have been undertaken on the economics of pesticides use in agriculture with respect to Indian conditions. None of the studies carried out so far have ever taken into consideration the general educational level, decision-making capacity and the realisation of the cost benefit obtained by the use of pesticides. Most of these studies, appear as the 'musings of an armed chair economist', who is far removed from realities either consciously or deliberately. The present book, however, is a deviation

from that.

It is a timely effort regarding the economics of pesticide use in cotton. The role of pesticides in sustaining agricultural production, the economic gain to the farmer by avoiding losses is well-recognised. The adverse effects of pesticides on ecology and environment, although, have been fiercely debated both in India and abroad, have been given a passing reference by the author. This is because as yet no system is available which can quantify the 'external' cost of pesticides to the human society. The decision making imperatives in pesticides use are made only at the individual farmer's level, the main consideration being the amount he is ready to spend on plant protection. The parameters for such decision-making are the size of farms, the economic cost of the crop, economic benefits due to pesticide use and the capacity of the farmer to provide for various inputs such as fertiliser, labour, power, etc. Cotton crop does not follow the general pattern of agricultural production in the country. It is a highly input-intensive crop, which requires high doses of fertiliser, pesticides, labour and time. The analysis by the author suggests that it is one crop on which farmer uses more pesticides than fertilisers. In cotton cultivation the cost of the seeds is between 4-5 per cent, irrigation 4-6 per cent, labour 26-29 per cent, manures 8-10 per cent, fertiliser 13-15 per cent, pesticides 31 to 37 per cent and other costs approximately 2-4 per cent of the total expenditure of nearly Rs 5,300 to Rs 5,600 per hectare. Thus the dominant inputs are pesticides and labour which account for 57 to 65 per cent of the total cost of cultivation. Analysis of the 274 farmers surveyed in this study by two different methods come to dramatically conflicting conclusions. A simple Cobb-Douglas specification of the production function using simple regression analysis suggest that the use of pesticide is 'sub-optimal' whereas the principal components regression analysis suggests that there was an 'excessive' use of pesticides. It is difficult to reconcile such divergent views especially when one realises that external costs mainly due to the effects of pesticides on human health, wild life, environment, development of pesticide resistance in pest and pest resurgence defy quantification and have not been taken into consideration. The author has used statistical jugglery to explain it, which is very esoteric.

The basic study was conducted in 1976, since then the economic scenario of the country has changed considerably and would, therefore, require a different approach. The book can be used as a guideline for cotton crop but is not of universal application.

The author deserves praise for trying to probe into an area which is very complex yet important. The book is recommended for the readers who are more interested in the economic conditions leading to pesticide use rather than those interested in the effects of pesticides on environment and the agro-ecosystem. On the whole, a useful book for agricultural economists.

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# Soviet Collaboration in Indian Steel Industry, 1954-84

### Bernard D'Mello

Beginning in 1955 India placed a considerable degree of reliance on the import of capital equipment and technology from the Soviet Union for establishing a basic and capital goods industry in the public sector. This article evaluates Soviet collaboration in the steel industry over a period of 30 years on different counts such as the degree of indigenisation allowable, the comparative cost of design and engineering and cauipment, the extent of transfer of technology, etc While the study finds no evidence to support the hypothesis that Soviet soft, longterm credit is tied through commercial agreements to the sale of heavy industry equipment at higher than world market prices, Soviet terms and conditions since the mid-sixties have been systematically designed to perpetuate technological dependence.

# Introduction

THE official Soviet position on the export of capital equipment and technology to the third world is that it promotes industrialisation and expands the state sector thereby strengthening the latter's position against monopoly capitalism. According to a prominent Soviet leader, "the socialist countries -- with their technology, equipment, specialists and credits-have struck a blow to the monopoly of the imperialist powers in this respect", There is an alternative view that under the pretext of consolidating non-capitalist forces, the USSR has "evolved a strategy of extricating third world countries from their integration into the world capitalist system by attempting systematically to integrate them into a counter-system which, while different in nature, is equally exploitative. The result has been the establishment of new relations of dependent exploitation."2 A number of issues can be located within this 'problematic' which merit an extensive analysis.

Beginning in 1955, India placed a considerable degree of reliance on the import of capital equipment and technology from the Soviet Union in establishing a basic and capital goods industry in the public sector. Contractual obligations for the purchase of a wide variety of technical know-how and capital equipment were entered into in steel, aluminium, petroleum exploration, extraction and refining, coal, electricity, metallurgical, mining and heavy electrical machinery, instrumentation, basic drugs and pharmaceuticals, opthalmic glass, etc. Table 1 gives a list of Soviet long-term loans to India during the period 1955-84, tied to specific projects.

In addition, the Soviet Union has been/is India's main supplier of armaments and licensor for the production of armaments. After the 1965 war with Pakistan, India increasingly came to rely on Soviet arms supplies. During the period 1973-77, the Soviet

Union accounted for 85 per cent of India's imports of major weapons by main supplier countries.1 The Soviet Union has consistently supported the Indian standpoint on the Kashmir issue vis-a-vis Pakistan and has used its veto power in the UN security council against the directive for a plebiscite in Kashmir. It is plausible that reliance on the Soviet Union in the armaments sphere and for continued support in the UN on the Kashmir issue are important factors that influence Indian decision makers to concede more than they otherwise would in negotiations on Soviet collaboration in industrial projects.

Some authors have used the term 'technical assistance' in the Soviet case, thereby assuming that machinery and equipment is supplied at a subsidised price or special training and foreign specialists are provided on non-commercial terms. It is implied that this is a genuine form of aid with disinterested motives. We will not use this term since it implies genuine transfer of technology at concessional terms. Whether this is so has to be determined and should not be pre-empted.

In this paper, we first present a brief outline of the process of technological development in the Soviet steel industry. We then study the nature, scope and content of Soviet collaboration in the Indian steel industry over the period 1954-84. Our attempt will be to discern changes, if an; in the modus operandi of Soviet collaboration over the period 1954-84.

# H

### Technological Development in Soviet Steel Industry

Steel has been a historically high priority industry and the Soviet Union has attained high levels of technology in ferrous metallurgy and machine building. During their First Five-Year Plan (1928-32) the Soviets undertook the reconstruction of old steel plants and the building of new ones with the association of US design and engineering tirms and the import of the main process equipment.4 The State Institute for Planning Iron and Steel Works (GIPROMEZ) was founded in 1926. Gipromez prepared the initial plant designs which were revised by the foreign engineering consultants. The engineering consultants also provided standard designs which were subsequently modified or scaled up by Gipromez. Gipromez maintained its independence in decision-making with respect to technological issues and merely sought the guidance and opinion of the consultants. The Soviet steel industry thus imported technology without being dependent on imported technology.

The Second Five-Year Plan (1933-37) envisaged a rapid reduction of Soviet dependence on imported capital equipment. In January 1933, at the joint plenum of the CPSU, Stalin detended a policy of Soviet construction of its own equipment. He stated, "a few years ago we faced the question of how to build our own iron and steel industry. Should we build it with imported equipment, or should we turn around the. business in such a way that we ourselves build the equipment? The Party quickly decided to form our own huge machine building plants for iron and steel mill equipment. And that was absolutely the correct decision."6 From almost complete dependence on imported equipment in 1928, in the following 25 years, the Soviet Union strove to attain almost complete independence.7 American restrictions on the export of machinery from the US and Western Europe from 1940 onwards was also a factor in the Soviet Union placing greater reliance on its own resources.8 By 1940-42 Gipromez had attained complete independence in planning and designing steel plants and did not rely any longer on foreign firms.

Technological development in the Soviet iron and steel industry in the early post-War years (1945-55) was almost exclusively in the realm of independently adopting, modifying

and improving on inventions and innovations pioneered in the west, particularly in the US.9 The Soviet Fifth (1951-55) and Seventh (1959-64) Five-Year Plans gave a major emphasis to introducing new equipment and technology, especially in blast furnace (BF) and open hearth (OH) units. 10 There is a viewpoint that in the Soviet sciencetechnology-production system, the weakest links were those relating to the practical application of scientific achievements and their adoption in mass production. However, this general proposition may not hold in the specific case of the Soviet steel industry. Western misconceptions about the generally low-level of Soviet scienge and technology (S and T) derive more from ideological stereotypes than any critical examination of

TABLE 1: SOVIET LONG TERM LOANS FOR PUBLIC SECTOR PROJECTS

(Rs million)

SI No	Date	Amount	Projeci
1)	2-2-55	1019.3	Bhilai Steel Project (BSP), 1.0 MTP
2)	9-11-57	937.5	Heavy Machine Building Plani (HMBP), Ranchi (45,000 tonnes machinery per year); Mining and Allied Machinery Plant (MAMP); Durgapur (30,000 tonnes equipment per year); Opthalmic Glass Plant, Durgapur; Coal Mining Complex at Korba; Neyveli Power Station (First Phase 250 MW)
3)	29-5-59	1500	Antibiotics Plant, Rishikesh (290 tonnes) Synthetic Drugs Plant Hyderabad; (859 tor nes of drugs and 150 ionnes of intermediaries per year); Surgical Instruments Plant, Madias (2.5 M pieces of instruments per year)
4)	12-9-59	2812 50	Bhilai Expansion to 2.5 Mipa; Expansion of Neyveli Thermal Power Station to 400 MW; Stepping up HMBP, Ranchi to 80,000 tonnes machinery per year; Stepping up MAMP to 45,000 tonnes equipment per year; Precision Instruments Plant, Kota; Obia Thermal Power Station (250 MW); Korba Thermal Power Station (250 MW); Barauni Oil Refinery (2.0 Mtpa), Heavy Electrical Equipment Plant (HEEP), Hardwar; Prospecting and drilling for oil and gas.
5)	28-9-59	187.5	Barauni Oil Refinery
6)	21-2-61	937.5	Bhakra Hydro-Power Station; Koyali Oil Refinery (2 Mtpa); Kathara Coal Washery; Prospecting and Drilling at Ankleshwar and other oil deposits in Gujarat.
7)	25-1-65	1666.08	Bokaro Steel Plant (BOSP)
•	10-12-66	2500.00	Korba Aluminium Plant (1,00,000 tonnes); Mathura Oil Refinery (6.0 Mtpa); Geological Prospecting and Drilling for oil and gas; Hydro-Power Station, Lower Silent (230 MW) etc.
9)	27-4-77	2083.5	Singrauli and Raniganj Coal Mining Projects; Central Mechanical Workshop.
10)	10-12-80	4333.16	Thermal Power Station, Vaidan (1,000 MW); Nigahi Goal Mining Project (14 Mtpa); Electric Transmission Lines (900 KM); Jhanjhra Coal Mining Project (12 Mtpa); Geological Prospecting for Oil and Coal; Bhilai and Bokaro Steel Plant expansions to 5.0 and 5.5 Mtpa
tl)	12-5-83	1166.6	Visakhapatnam Steel Project (VSP).
Tota	al long-term o	redit up to 31-3	- Rs 17,793.69 million
Tot	al long-term o	redit utilised un	to 31-3-84 - Rs 10.226.16 million (per cent utilised-57.5

Total long-term credit utilised up to 31-3-84 - Rs 10,226.16 million (per cent utilised---57.5) - Rs 7,567.53 million. Expected to be utilised Balance

on ongoing projects like BSP and BOSP 4.0 Mtpa, VSP, Mathura Refining Project (6.0 Mtpa), etc.

Note: Amount granted is net of cancellation and deobligation.

Sources: (1) N Rodionov and V Senin, Soviet Indian Economic and Trade Exchanges, Soviet Land Booklets, 1981, pp 20-24.

(2)Ministry of Finance, Department of Economic Affairs, External Assistance, 1980-81 to 1983-84.

the facts.12 Contrary to the western stereotypical view, Gardner Clark comments on the adoption of technological innovations in Soviet steel plants in the following words. "The driving spirit of the Schumpetarian entrepreneur survives in this biggest bureaucracy the world has ever seen!" 13

Since the mid-sixties the Soviet Union has established a relationship of interdependence with the west for the adoption of high productivity-inducing, licensed technological changes. In 1965, the Soviet Union acceded to the International Union for the Protection of Industrial Property. The Soviet Union has licensed a number of her technological innovations to western and Japanese firms. 14 In blast furnace, sintering and coke oven technology (all three are stages of iron making), the Soviet industry is among the best in the world. In steel making, the Soviet technological level can be labelled average if one is comparing the level of technology in the USSR, US, UK, France, Austria, West Germany and Japan. 15 However, the engineering level of the Soviet Union in rolling mill technology is lower than in the west. This is an area where large imports take place from other Comecon countries and the west.16 However, while metallurgical machinery embodying advanced technology is imported from the west, around 95 per cent of machinery requirements are met from domestic and intra-Comecon imports. 17 The Soviets also assimilate advanced technology through retro (or reverse) engineering. This is an indirect form of access to western technology involving no direct purchase of licences.

Thus the Soviet Union as an exporter of ferrous technology has the following characteristics: (1) Even in the early stages of its development, while much of the technology was imported, it was actively adapted, modified and fitted into a system of developing domestic technological activity. Thus, the Soviet Union is technologically dynamic in steel. (2) By the mid-sixties the Soviet Union established a relationship of interdependence with the west as an importer and exporter of ferrous metallurgical technology. Since the Soviet Union officially accepts the patent system, it cannot be expected to export technology that she has imported from the west. If an importer is interested in acquiring the latest in ferrous metallurgical technology, then the Soviet Union possesses it only in iron making and not in the steel making, rolling and further processing stages.

### Ш

### Bhilai Steel Project (1955-61)

The Soviet Union made an offer to collaborate in the setting up of a 1.0 million tonne per annum (Mtpa) steel plant in mid-1954 after the Indian government had approached Krupp-Demag of West Germany to collaborate in the setting up of another such plant. An agreement was entered into on February 2, 1955 between the two governments. 18 Three 1.0 Mtpa plants were set up at Bhilai, Durgapur and Rourkela during the period 1956-61 in collaboration with the Soviet Union, the UK and West Germany. In this section we will critically analyse Soviet collaboration at Bhilai during the period 1955-61 in a comparative perspective.

Article 2 of the Indo-Soviet agreement states that the "design of the works and component parts as well as the manufacture of the equipment shall be carried out by the Soviet organisations on the best up-to-date technical level". Let us evaluate whether this clause was adhered to in practice. Sintering was being internationally adopted in the fifties and the Sovicts made provision for a modern D-L type sintering plant. The Soviets, however, did not adopt basic oxygen steel making (BOS) but instead opted for open hearths (OHs) although they had begun designing and experimenting with BOS in 1952. A few converters were built on a commercial scale after 1956 but there were some problems (i.e. low life of refractory lining) still to be reckoned with. In 1960 there. was a controversy in the Soviet steel industry over the continuing emphasis on investments in OHs. 19 Thus the Soviets did not deliberately supply vintage OH technology instead of the latest LD technology. It was simply that the latter technology had not yet been fully perfected in the Soviet Union. High top pressure in BFs was adopted in Soviet steel plants in the late forties and early fifties and they made a provision for adoption of this technology at Bhilai. The Soviets however did not install oxygen injecting lances in the OH furnace roofs. This was a fairly recent technological change that was adopted in US and West European plants after 1952. Oxygen injecting lances were however, introduced by the Soviets in the first expansion of Bhilai to 2.5 Mtpa in the

In contrast, the West German and British

collaborators did not provide sintering plants and high top pressure in the blast furnaces. Nor did they provide oxygen injecting lances in the OH systems. The West German collaborators, however, provided the latest in steel making technology, LD converters. The rolling mills supplied by them were up-todate. The British collaborators provided an obsolete plant. A senior R and D engineer told the author that the technology provided at Durgapur by the British collaborators was of 1940 vintage whereas the technology provided by the Soviet Union was generally upto-date.20 The Coates Mission, a technical mission under the technical co-operation scheme of the Colombo Plan, had recommended the obsolete Duplex process for steel making at Durgapur. The Indian side however did not accept this recommendation. However, even the OH facilities provided by the British were obsolete and energy consumption was inordinately high.

Thus, the Soviet collaborators provided reasonably up-to-date technology, perhaps of 1950 vintage. In comparison, Soviet technology was superior to British technology. The evidence with respect to Soviet and West German technology is mixed, some components of the technology being superior while others being inferior. A comparison of technology should be accompanied by a comparison of prices of plant and equipment. We present some data on capital and equipment cost of some units of plant in Table 2.

Price comparisons of equipment are difficult to make since supplies are heterogeneous, i e, there are differences in quality and design. Price is influenced by the degree of oligopoly, the bargaining strength of the buyer and the credit arrangements. For Bhilai and Durgapur the Soviet and British collaborators were in the position of a monopolist while at Rourkela the degree of oligopoly was high. Tied credit arrange-

ments were there in all the three projects. We find that the capital cost of the coke ovens at Rourkela is the lowest, that of Bhilai and Durgapur being 8 and 14 per cent higher. The capital cost of the blast furnance plant at Bhilai is the lowest, that of Rourkela and Durgapur being 17 and 7 per cent higher respectively. Similarly, the capital cost of the steel melting shop at Bhilai is the lowest, that of Durgapur and Rourkela being 45 and 2 per cent higher respectively. Equipment cost. for the blast furnaces of Blulai and Rourkela are almost the same. For the steel melting shop, equipment cost at Rourkela is 69 per cent higher than at Bhilai. This is probably due to the higher cost of equipment for the 1.D process at Rourkela. It is not possible to reach any conclusion from the above comparison although it seems that Soviet prices were generally more favourable.

The design and engineering fees for the 1.0 Mtpa plants is given in Table 3. We find that the Soviet engineering fees are significantly lower than the engineering fees charged by western collaborators at Rourkela and Durgapur. Total engineering fees as a percentage of plant cost is 5.2 per cent in the case of Soviet collaboration while it is 9.7 per cent and 12.0 per cent in the case of West German and British collaborations.

Thus while Soviet technology was reasonably up-to-date, Soviet prices were lower than western prices.

Article 5 of the February 1955 Indo-Soviet agreement stipulated that Indian engineers should be associated in all stages of the project including planning and design. Indian engineers were, however, associated mainly in construction and only marginally in design. This pool of construction personnel formed the nucleus of manpower for the Hindustan Steel Works Construction Ltd (HSCL) which was formed in 1964. A design cell was set up at Bhilai where around 40 Indian engineers were trained in planning, plant design and engineering. The Soviets wanted more engineers to be trained at Gipromez but it was the Indian side that did, not seem interested. It is possible that the Indian decision makers did not appreciate the value of building an indigenous design capability at the time.

The Soviets provided elaborate training programmes, far better than western firms usually provide. Training had been thorough and there were no trade secrets or patents to restrict the transfer of know-how. The number of Soviet specialists employed at BSP is given in Table 4. The number of Soviet specialists employed on a Sovietcollaborated project of a given capacity is usually much higher than is the case with western collaborated projects.21 When asked as to how long it would take to hand over independent charge to Indian operating personnel the Soviet chief engineer said that 10 years was the absolute minimum.22 A senior adviser to the steel ministry and former TISCO engineer spoke very highly about Soviet specialists; they were good engineers who were not constrained by trade

TABLE 2: CAPITAL (C) AND EQUIPMENT (E) COSI PER UNIT OF RALED CAPACITY FOR THREL ONE MILLON TONNE PLANTS

						(A3)
	Bh	ilaı	Rourl	kela	Durg	ариг
	C	Ē	C	E -	C	E
Coke ovens	111	na	103	42	117	n a
Blast furnace plant	119	37	139 (123)*	38	127	n a
Steel melting shop	181	48	185	81	263	ηa

Notes: \* Excluding the gas cleaning plant.

n a = not available.

Source: Report of the Capital Cost Sub-Committee of the Mahatab Committee on Steel Costs March 1966, Appendix 1 and 5.

TABLE 3: DESIGN AND ENGINEERING FLES FOR 10 MTPA PLANTS

(Rs million)

	Bhilai	Durgapur	Roui kela	
(1) Plant cost	f489.2	1453.22	1580.30	
(2) Design and engineering fees	76.73	174.10	153.29	
(3) 2 as a per cent of 1	5.2	12.0	9.7	

Source: Report of the Capital Cost Sub-Committee of the Mahatab Committee on Steel Costs,
March 1966, p 24.

secrets or patents.23

Article 7 of the Indo-Soviet agreement stipulates that "the Soviet organisations shall ensure that as much use as possible is made of the metallurgical, engineering and other industries in India for the fabrication of the components of the iron and steel works". In practice, however, there was little or no acquaintance with the resources of Indian industry. This being the case, almost the entire equipment was imported from the Soviet Union. Even structural steel work and refractories, which could be procured in India, were put on the import list. The scope of activity assigned to the Soviet side was omnibus.

The import content of plant and equipment, structurals and refractories for the three 1.0 Mtpa plants is given in Table 5. The import content of equipment of some of the main units of plant is given in Table 6. The proportion of Indian equipment for Soviet collaborated Bhilai was very low (10.4 per cent) but it was in refractories and structurals that Indian industry was by-passed. There were persistent complaints from the Indian Refractory Makers Association (IRMA) that indigenous capacity for coke oven silica bricks was not being availed of by the three I.0 Mtpa plants. More structurals could have been indigenously procured. In fact, structurals that were initially earmarked for local fabrication were subsequently imported from the Soviet Union. The import content of the British-collaborated Durgapur was the lowest. This was because of the presence of a number of British firms in India due to the earlier colonial relationship. The next lowest is the Soviet-collaborated Bhilai and the last is Rourkela where the local content was marginal. This data does not reflect the extent of technological dependence since allowance has not been made for the foreign exchange content of local supplies and the supplies of foreign-owned or controlled firms in India are subsumed under the category of local content. Although the import content of the Durgapur steel project was the lowest, foreign control over the project was perhaps the most. This can be gauged by the remark of a representative of one of the firms responsible for the steel melting shop. According to him this involved the supply of "furnaces, cranes, lime and dolomite kilns and down to shovels, brushes and even test tubes".24

There were some disadvantages of Soviet collaboration which are perhaps disadvantages of all foreign collaborations. The practice of utilising engineering consultants from the industrialised countries has not always been satisfactory. The reasons are "lack of familiarity of foreign consultants with local conditions; lack of knowledge and experience of local materials, equipment and facilities; ... choice of unsuitable technology; over-capitalisation and sophistication leading to under-utilisation of plant capacity; reluctance to utilise local technical skills, materials and services, standards and

codes of practices, etc."25 This seems to nave been the experience with the Soviet design institutes (Gipromez, Giprokoks, etc). There was a distinct tendency for the design institutes to assume conditions which were not found to exist in the actual working.26 According to some Indian specialists, since Gipromez and the other Soviet design institutes were independent of the equipment manufacturers and steel plants, they were in a position to give objective and unblased technical advice. According to this view, the status of Gipromez is similar to that of an independent engineering consultant in the US.27 It is doubtful whether Gipromez would have kept the Indian clients' interest uppermosi in all matters. It would be most likely to promote Soviet commercial interests.

It is unlikely that a foreign collaborator would adapt the technology to the clients set of technical conditions. Indian specialists had urged the adoption of an external hot metal desiliconisation unit in view of the high silicon content in Indian hot metal and also because rail steel was part of the product mix. The Soviet specialists however argued that this would unnecessarily increase the cycle time and made no provision for it. This may be a pointer to the fact that the Soviets did not unduly bother about adapting the process sequence in a manner appropriate to Indian technical conditions.

### IV

### First Expansion of Bhilai Steel Plant (1962-68)

The Indian side wanted the detailed project report (DPR) to be prepared by the Bhilai Design Cell but the Soviets agreed only to associate Indian design engineers in its preparation. The preparation of the DPR and some of the other functions of engineering consultants were performed by the Central Engineering and Design Bureau (CEDB)28 for the first expansion of Durgapur and Rourkela. As regards the detailed engineering for the Bhilai expansion, the working drawings of buildings and some structures were allotted to the Indian side.<sup>29</sup> The Indian design assignment thus seems to be marginal. Indian involvement in the detailed engineering was perhaps greater than in the Rourkela and Durgapur steel plant expansions but the responsibility was with the Soviets.30 However, there could be little independent learning by doing in such circumstances. Soviet specialists were deputed to guide Indian engineers even in their marginal assignments. 31

The import content of plant and equipment, structurals and refractories is given in Table 7. As compared to the import content of the 1.0 Mtpa plant, a process of import substitution is evident. However, the indirect import content (viz, the import content of Indian supplies) has not been reckoned with. The import of silica and firebrick refractories for the coke ovens were unwarranted

TABLE 4: NUMBER OF SOVIET SPECIALISTS AT BSP

Year	Number of Specialists		
(at end December)	Operations	Construction/ Erection	
1958	114	519	
1959	203	614	
1960	131	339	
1961	105	nil	
1962	71	30	
I963	37	179	
1964	<b>2</b> I	300	
1965	67	303	
1966	65	95	
1967	44	30	
1968	43	43	

Note: Only those specialists who worked for 'six months or more are included.

Source: Data provided by Bhilai Steel Plant.

TABLE 5: DIRECT IMPORT CONTENT OF HARDWARE FOR THREE 1.0 MTPA PLANTS (Per Cent)

	Bhilai	Durgapur	Rourkela
Plant and			
equipment	89.6	78.2*	98.2**
Structurals	71.6		
Refractories	93.1		

Notes:

- \* Includes structurals and refractories. Also includes erection charges.
- \*\* Includes structurals and refractories.

Sources: (1) Data given to the author by Bhilai Steel Plant.

- (2) Hindusian Steel Lid, A Review of the Million Tonne Plant at Durgapur, Vol 1, Ranchi; undated.
- (3) Hindustan Steel Ltd, Project Completion Report, Rourkela Steel Project, 1.0 Million Tonne Plant, Rourkela, undated.

TABLE 6: DIRECT IMPORT CONTENT OF EQUIPMENT OF MAJOR UNITS OF 1.0 MTPA PLANTS

(Per Cent)

SI Main No Plants	Bhilai	Durgapur	Rourkela
l Coke ovens are by-products	nd		
plant	94.8	70.8	100
2 Sintering			
plant	96.3	_	
3 Blast furnaces	96.4	58.4	100
4 Steel melting			
shop	93.3	76.9	100
5 Rolling mills	99.8	82.6	100

Sources: (1) Report of the Capital Cost Sub-Committee of the Mahatab Committee on Steel Costs, March 1966, Appendix 5.

(2) Hindustan Steel Ltd, A Review of the Million Tonne Plant at Durgapur, Vol 1, Ranchi, undated, pp 212-20.

. . . .

TABLE 7: DIRECT IMPORT CONTENT OF HARDWARE FOR FIRST EXPANSIONS

(Per Cent)

	Bhilai	Durgapur	Rourkela
Plant and			
equipment	74.2	. 60.7	84.3
Structurals	43.9	25.0	
Refractories	64.0	18.1	

Sources: (1) Data given to the author by Bhilai Sieel Plant.

> (2) GO1, Report of the Capital Cost Sub-Committee of the Mahatab Committee on Steel Costs, March 1966, Appendix 3-5.

TABLE 8: DIRECT IMPORT CONTENT OF EQUIPMENT FOR MAIN UNITS OF PLANT IN FIRST

	EXPAN	SIONS	(Per Cent)	
SI Main No Units of Plant	Bhilai	Durgapur	Rourkela	
I Coke ovens a	ınd			
by-products				
plant	86 9	25 4	79.5	
-			39.6	
2 Sintering				
plant	92.9	56.3	69.1	
3 BF plant	94 2	52 8	73.6	
4 Steel melting				
shop	82.4	100.0	82.8	
5 Rolling mills	98.8	68.2	95.0	

(i) Cost escalation has not been ac-Notes: counted for.

(ii) FOB values of imported equipment have been used.

(iii) Erection charges are excluded. Source: GO1, Report of the Capital Cost Sub Committee of the Manatah Committee on Steel Costs, March 1966, Appendix 5.

TABLE 9: IMPORT CONTENT OF HARDWARE FOR SINTH BLAST FURNACE COMPLEX\* AT BHILAL (Per Cent)

Plant and equipment	36.2
Structurals	Nil
Refractories	56.2

Note: \* A blast furnace complex is composed of a coal preparation plant, coke ovens and by-products plant, sintering plant and BF plant.

Source: Given to the author by Bhilai Steel

in the case of Bhilai. For local supplies of stipulation. Import of ramming masses took place from Czechoslovakia in spite of the fact that these were indigenously available.32 The import contents of equipment for the main units of plant is given in Table 8. Some indigenisation is evident especially in OH plants. Except for the OH plant, the Soviet-collaborated Bhilai's import content was higher. A process of import substitution of steel plant equipment and refractories based on collaboration with German firms like Dr C Otto and Comp, Heinrich Koppers, and Didier Werke entered the Indian market through technical and/or presence of Indian affiliates/subsidiaries and other inter-connected firms of the UK sup-

In 1960, about 10 per cent of total crude steel in the Soviet Union was produced by basic oxygen converters. At the time, the Soviets were still building OH furnaces, albeit of a larger size (500 t), for their steel works. Here again, it seems that they were reluctant to introduce LD converters at Bhilai since they claimed limited process design and operational experience with this technology. In order to derive economies of scale, higher capacity blast furnaces and open hearths were installed.

A word or two about Soviet equipment design would not be out of place. Soviet designers tend to depend heavily on factors of safety.33 Thus their units tend to be overdesigned. For instance, take the slag cars at Bhilai and Rourkela. Both have a capacity of around 15 cum. However, the motor for the Soviet slag car has a rating of 26 KW while that at Rourkela has a rating of 7 KW!34

Unlike the other collaborators, the Soviets supplied the manufacturing drawings of spares that BSP needed but "the prices were

refractories, the Soviets demanded that the bricks be manufactured by the process followed in the Soviet Union. It was difficult for Indian manufacturers to fulfil this West German firms was underway. West financial collaboration. Similarly the import content of British-collaborated Durgapur was lower than that of Bhilai due to the pliers. Soviet-collaborated Heavy Engineering Corporation, Mining and Allied Machinery Corporation and Bharat Heavy Electricals Ltd, Hardwar did not as yet receive orders from the Soviet-collaborated steel project.

TABLE 10: INTERNATIONAL COMPARISON OF PLANT COSTS

Ingot Steel	Total Diseas	
	Total Plant Cost (Rs Million)	Plant Cost Per Annual Ingot Tonne (Rs/Tonne)
1,5	1,488	992
1.4	1.638	1,170
1.5	1,440	960
1,70	4,860	2,860
	1.5 1.4 1.5	(Mtpa) (Rs Million)  1.5 1,488 1.4 1,638 1.5 1,440

Notes: (i) • Soviet estimate (ii) Excludes customs duty, township, offsite facilities, design and

Source: COPU, Examination of Bokaro Steel Ltd (BSL), Replies to the COPU Questionnaire by M N Dastur and Co (Pvt) Ltd, Calcutta, July 1969.

rather high".35 As on January 1, 1970, the total requirement of drawings for spares at BSP was 80,875. Out of this, the proportion of drawings available was 75 per cent.36 ln contrast, out of a total requirement of 51,939 drawings of spares at Durgapur only 25 per cent were available. Import substitution began in earnest after 1973 and hence this proportion reflects the extent of cooperation extended by the Soviets in the indigenisation of spares.

It was in the construction of the sixth blast furnace complex (commissioned in 1971) at Bhilai that significant import substitution of equipment, structurals and refractories took place. The import contents of these items are given in Table 9. This was the third BF of 1719 cu m (effective volume) constructed at BSP. We observe a sharp decline in the foreign content of 1719 cum BF, coke oven plant and 50 sqm sintering plant. However, this decline is highly exaggerated by the fact that the import content of Indian manufactured equipment has not been accounted for. Equipment supplied by HEC at this time (1970-71) would have an import content of at least 30 per cent. 37 If this holds for all the domestically supplied equipment, then the import content of the equipment for Bhilai's sixth blast furnace complex would be 55.3 per cent. For the supply of the main units of plant, Heavy Engineering Corporation (HEC) was virtually utilised as a sub-contractor of the Soviets who provided the equipment design and manufacturing drawings. In the matter of detailed equipment design there was hardly any experience available within the country. 18

### V Bokaro Steel Project

Following the withdrawal of India's application to USAID in mid-1963,39 the alternative now was to call for limited world tenders for the different units of plant from those countries who were interested in providing limited aid. It was at this juncture that the Soviet Union made an offer of financial and technical assistance in May 1964. It seems that when the Soviet Union entered the picture with her offer of technical assistance, the Indian side did not keep alive any alternative proposals.40 This considerably reduced the bargaining power of the Indian side since the Soviet Union now had a virtual monopoly.

The original detailed project report (DPR) for Bokaro was prepared by the Indian engineering consultancy firm, M N Dastur and Co (Dasturco). The chief Soviet specialist at Bhilai Steel Plant, who was a member of the committee which scrutinised the Dasturco DPR, wrote that "the design organisation which prepared . . . (this report have) all the potentialities to work out the final working drawings and also to supervise the progress of construction of the steel plant". A Thereafter, C Subramaniam, the then steel minister, made a statement in

parliament that the Dasturco DPR was to be adopted with minor modifications to suit Sovict equipment. An agreement with Dasturco was initialled in April 1964. Subsequently, however, the preparation of a fresh DPR was entrusted to the Soviets.

According to Dasturco, following the demise of Jawaharlal Nehru, there was a reversal of Indian policy on utilising indigenous design and engineering. However, the then steel secretary, N N Wanchoo, stated that it was the Soviets who insisted that they be assigned the design and engineering job for Bokaro. They were not willing to accept Dasturco as the principal consultant. According to Dasturco, it was the failure of the senior bureaucrats of the steel ministry to take a firm stand during the negotiations on the scope of Indian design and engineering. 42

The government thus agreed to the demand for the preparation of a fresh DPR by Gipromer. Compared to the agreement with Dasturco that was initialled in April 1964,43 in the subsequent agreement Dasturco was assigned a minor role in the designing of the Bokaro steel project. Incidentally, marginal assignments were given to the Indians even in the design of auxiliaries and utilities. Article 4 of the Indo-Soviet, agreement of January 25, 1965 which stipulated "maximum possible participation of Indian organisations in carrying out the designing work . . ." was thus breached by the Soviet side Para 5 of the contract for the preparation of the DPR says that the Soviets would "co-operate with and make use of qualified Indian engineers . . . to participate in the designing work" (contract between Tiazpromexport and Bokaro Steel Ltd for DPR, New Delhi, February 6, 1965). In practice this meant Indian engineers being mere understudies to their Soviet counterparts.

Thus Indian design and engineering capability was bypassed because of Soviet tied aid. This episode showed that Soviet tied aid was no different from western tied aid in certain respects. Firstly, the effect of Soviet tied aid was clearly detrimental to the development of local technological capability in steel plant design and engineering. Secondly, just like in the case of western tied aid, the recipient country was obliged to accept not what she really needed but what services the donor wanted to trade.

On receipt of the Soviet DPR it was found that the capital cost was much higher than that envisaged in the Dasturco DPR. 44 Indeed the Soviet estimated project cost of Bokaro as compared to similar plants in Japan, France and UK was considerably higher as shown in Table 10. Dasturco were assigned a cost reduction study (CRS) on March 29, 1966 but on that very day the Soviet DPR was officially accepted. While the CRS was being prepared, an important contract which set out the scope of Soviet collaboration in the construction of BOSP was signed. 45 This contract covered the supply of equipment, structurals, refrac-

tories, etc, and working drawings for the equipment to be manufactured in India. It gave credence to the view that the CRS was not to be taken seriously and was perhaps inotivated to silence growing crilicism in parliament and the press. 46

The Dasturco critique of the Soviet technological proposals in the CRS is perhaps reflective of its competence. The CRS, even though it was jettisoned, nevertheless highlights the value of local, independent engineering consultancy to a developing country. It also provides useful comments on the level of technology offered by the Soviet side. We evaluate the Soviet technology at Bokaro drawing from the Dasturco CRS.

- (i) The Soviet DPR did not take into account the choice of an appropriate blend of coking coals keeping in mind the need to conserve this scarce resource.
- (ii) The simultaneous operation of three out of five 100t converters in steel melting shop (SMS) no 1 was an unusual combination and revealed design inexperience. Because of this design deficiency, the achievable capacity of SMS-1 is 2.25 Mtpa and not the rated value of 2.5 Mtpa.<sup>47</sup>
- (iii) The 5.5 Mtpa capacity of the slabbing rnill would not be realised since by that time it would be technologically obsolete with continuous casting being the preferred technique. In fact, according to an OECD report,48 the USSR was very advanced in continuous casting; the technique had been independently pioneered at TSNI CHERMET laboratories, the Central Research Institute for Ferrous Metallurgy. It must, however, be stated that the total replacement of ingot casting by continuous casting in the case of slabs was not a technologically feasible proposition even in the first half of the seventies.<sup>49</sup> According to M N Dastur, "low head continuous casting machines were not fully established in the USSR but vertical machines (relatively uneconomic) were in successful operation".50
- (iv) The Soviet DPR proposed the adoption of a centralised pond cooling system while Dasturco suggested a decentralised recirculating system with cooling towers. It was argued that the Soviet proposal entailed a higher capital cost but a lower operating cost and was financially preferred in terms of a present value calculation. Dasturco, however, insisted that the cooling towers system was more appropriate and economical under the hot and more humid weather conditions in India.
- (v) The Soviet oxygen converters system did not incorporate the suppressed combustion system for energy recovery from the LD off-gascs. Further, they did not incorporate multiorifice oxygen lances, both of which were recent technological developments.
- (vi) The Soviet blast furnaces (BF), coke ovens and sinter plant were of a high technological level.
- (vii) The hot strip mill (HSM) "was not very modern (it was, however, not obsolete)... A similar mill was commissioned

at the Soviet Novolipetsk plant around 1969". <sup>52</sup> Regarding steel making technology, "stability was given preference over 'modernity'. L D technology at Rourkela was the most advanced at the time (viz, early sixties) but we lacked the lechnological discipline and infrastructure to use it. The Soviets have supplied (basic oxygen steel making) technology that is better suited to our underdeveloped infrastructure. They are not the best suppliers (of LD technology) but the reliability (of the equipment) has been proven." <sup>53</sup>

Thus, Bokaro could not avail of the best technology in all the units of plant since no single country has the highest technological level in all the various units of a steel plant. The Soviets provided uptodate technology in iron making (BF, coke ovens and sinter plant), the branch in which they are among the best in the world (vi). In the other units of plant, India got 'second best' technology (v and vii). Again, the Soviets did not provide us with the technology of continuous casting of slabs (iii), a technique that was being commercialised worldwide at the time, on the plea that they had not yet mastered the technology themselves. Lastly, the Soviet consultants did not have sufficient knowledge of local conditions (iv) and local resource endowments (i).

The division of the design assignments between the Soviet and Indian sides and the marginal role of the latter is reflected in the payments. These are shown in Table 11. The foreign exchange component of equipment for the main units of plant is given in Table 12. A significant indigenous content was made possible for the 27.3 cum capacity coke ovens and the 2000 cum BFs by the purchase of design documentation from the Soviets and manufacture at Heavy Engineering Corporation (HEC). We have not, however, taken account of the import component in HEC's supplies which could be considerable, especially for the 2000 cum BFs. The superintendent of Bokaro's import substitution cell told this author that HEC, MAMC and BHEL's equipment supplies contained a number of imported items.54 According to a senior manager who has negotiated many Sovlet contracts, the Soviets "completely dominated the negotiations for the division of supplies between Indian and Soviet sources. They dictated which equipment was to be indigenously supplied based on Soviet specifications or design assignments, indigenously manufactured based on Soviet manufacturing drawings or imported from the Soviet Union or

TABLE 11: SOVIET CONTENT OF DESIGN AND ENGINEERING FOR BOKARO'S 1.7 MTPA PLANT

	Total (Rs Million)	Soviet Content (Per Cent)	
DPR	31.3	79.9	
Engineering	76.t	75.9	

Source: Revised Cost Estimates for Bokaro Steel Plant for Stage I, May 3, 1978. a third country. However, to their credit, they were willing to supply manufacturing drawings for a lot of equipment?" 55

The import content of refractories for some units of plant is given in Table 13. The Indian refractory industry built up its technological base largely through foreign collaborations with the world's better known refractory manufacturers-Didier Werke and Dr C Otto and Comp of West Germany, Harbison Walker and A P Green of the US.56 At the time of Bokaro's purchases of refractory for its 1.7 Mtpa stage, about 60 per cent of the total production of refractories was from plants working with foreign collaborations. In spite of the refractory industry's foreign collaborations it had problems adjusting to Soviet specifications. For instance, experimental orders of refractories with alumina content of 62 per cent or more and 15 per cent porosity for the bottom lining of Bokaro's blast furnaces were of unsatisfactory quality.<sup>57</sup> However, Soviet specialists refused to take a pragmatic view of specifications keeping in mind the quality of raw materials in the country. The quality of the finished refractories to a large extent depends on the quality of the raw materials used. Indian engineers seemed to have a marginal role in decision-making. The Soviet specialists accepted or rejected Indian refractory supplies, for they would not guarantee the performance of the blast furnaces if the specifications laid down were not followed.58 Import of 46.4 per cent of refractories for the coke ovens is very high, considering the fact that a high indigenous content was used for the building of the IISCO and TISCO coke ovens. The reason is that the building of coke ovens is invariably a turnkey job and each such contractor has his own battery design. Moreover, no Indian refractory manufacturer had, till then, collaborated with the Soviet Union.

Soviet enterprises usually purchase rolling mill equipment from enterprises in eastern Europe, e.g., SKET Import-Export of GDR, Skodaexport of Czechoslovakia, etc. Article 13 of the inter-governmental agreement on Soviet collaboration stipulates that Soviet organisations "may co-operate in carrying out the designing work, the deliveries of equipment and in the implementation of other forms of technical co-operation for

which the Soviet party is responsible with the corresponding organisation of third countries..."<sup>59</sup> Tiazpromexport, which negotiates and transacts on behalf of all Soviet enterprises in the ferrous metallurgical field, was thus allowed to undertake third country imports via the Soviet Union.

As mentioned earlier, since the mid-sixties the Soviets have collaborated with western TNCs for the import of complex technology embodied equipment and licensed knowhow. For example, the Soviets had collaborated with Headwrightson's of the Davy Group (UK) for suppressed combustion LD off-gas energy recovery systems. They recommended that Bokaro Steel too enter into collaboration with Headwrightson's for the same.<sup>60</sup>

The Soviets provided operational and maintenance know-how, particularly for the main units of plant. This was in the form of operation and maintenance manuals (including operating procedures and norms) and the employment of Soviet specialists. There were Soviet counterparts to Indian personnel from the managerial and supervisory levels down to the rank of shift foreman. Table 14 gives details of Soviet specialists in operation from 1975-84. The number of Soviet specialists has declined over the years in the categories of senior engineer, engineer and foreman. The number of specialists in the managerial categoriesgeneral superintendent, deputy general superintendent and chief specialist---have however, remained more or less constant. It reflects either a lack of confidence on the part of Indian personnel in taking the correct decisions on technological issues or that the Indian side is constrained by guarantee

Also, there was an unnecessary utilisation of too many Soviet personnel in the supervision of construction. Indian steel plant construction already had ten years of experience under the guidance of foreign engineers. Hence, there was no need for such a large number of foreign technicians supervising construction. It was stated in Hindustan Steel's journal, Construction, March 1966, that "apart from saving a sizeable amount towards hiring and maintaining such personnel it will also instill more confidence amongst Indian personnel

TABLE 12: DIRECT IMPORT CONTENT OF MAIN UNITS OF PLANT FOR BOKARO'S 1.7 MIPA PLANT

Main Plant	Basis	Import Content (Per Cent)
Coke oven plani	4 nos coke oven batteries with 69 ovens, cach oven of 27.3 cu m capacity.	14.9
Sinter plant	2 nos 252 sq m sintering machine	50.4
Blast furnace	3 nos, 2000 cu m BFs	9.6
SMS	4 nos. 100/130 t basic oxygen converters	34.0
Hot rolling mills	1250 mm slabbing mill with 6 soaking pits; 2000 mm hot strip mill with 2 re-heating furnaces, etc	63.3
Cold rolling mill	2000 mm, 4 stand tandem mill	59.7
Total equipment	·	44 ()

Source: Same as in Table 11.

TABLE 13: IMPORT CONTENT OF REFRACTORIES FOR SOME UNITS OF BOKARO 1.7 MTPA.PLAN1

Plant	Import Content (Per Cent)	
Coke ovens	46.4	
Bl' plant	29.9	
SMS	89.1	
Hot rolling mills	75.8	
Cold rolling mills	77.5	
Ioial refractories	45.7	

Source: Same as in Table 11.

and generate originality of thinking and action in the day-to-day progress of the work". M N Dastur stated in a letter to the MD of Bokaro that in view of the construction experience already available in the country, it should be possible to reduce substantially the number of Soviet personnel without in any way impairing either the efficiency or the progress on the project. 61

Between 1969 and 1983, 415 executives and 142 non-executives (including workmen) have been trained in the USSR. Training was provided on a non-profit expenditure reimbursement scheme. However, under licence agreements a training charge is levied. In 1984, the cost of training for the licensed fluid sand process was Rs 1.73 lakh for five man-months.62 According to the chief superintendent, iron making, training in the Soviet Union "provides an exposure to a disciplined working environment". However, training is "mainly in the nature of demonstration. Technical information is not withheld (viz, no secrecy)! The superintendent of the sintering plant said that the Soviets "gave as much technical information as was possible". The superintendent of the hot strip mill said that "in the majority of cases, training is only observational. However, the Soviets do not withhold information but there is a language barrier."

In a paper on Soviet economic relations with the third world, Patrick Clausen categorically states that "even if (Soviet) machinery (to the third world) is priced lower, spare parts are priced high." <sup>63</sup> Hiten Bhaya, former chairman of Hindustan Steel Ltd, has stated that in the seventies, "even the Soviets have overpriced subsequent sparcs as compared to the reasonable prices of the initial supplies." <sup>64</sup> Table 15 gives the value of spares ordered by Bokaro Steel Plant (BOSP) from the Soviet Union for operation of the 1.7 Mtpa and 2.5 Mtpa plants.

We observe recurring payments of a sizeable magnitude. However, a price comparison of Soviet electrical spares including motors, and the same spares produced domestically showed that Soviet prices were considerably lower. As But Indian motors may be high priced due to the cascading effects of indirect taxes, high domestic prices of inputs like copper, etc. Tiazpromexport has taken advantage of the situation when no other alternative source of supply is available. A

case in point is when pumps in the acid supply line of the pickling plant had to be replaced. Tiazpromexport demanded a very high price compared to Bokaro Steel's estimated cost calculations and there was no alternative but to accept it.66 Bokaro Steel managed to secure the manufacturing documentation for some of the Soviet spare parts through a licence agreement<sup>67</sup> in 1979 at a reasonable price compared to a similar Soviet contract with HEC. However, there were some other spare parts for which the Soviets were unwilling, since it was profitable for them to export these items on a recurring basis. On the whole, the Soviets on this score (i e, pricing of spares and manufacturing documentation of spares), are somewhat better than western firms.68

### VI

# CEDB—Gipromez Collaboration since 1970

The setting up of a design institute for the ferrous metallurgical industry with Soviet assistance was inserted in the Indo-Soviet agreement on economic and technical cooperation in the construction of industrial enterprises and other projects during India's proposed Fourth Five-Year Plan which was signed on December 10, 1966. No proper study seems to have been done to determine the precise technological gaps at the time. The Barve Committee Report<sup>69</sup> later identified the real gaps in equipment design and manufacturing documentation. Once the process know-how was imported, the detailed engineering relating to the main process and plant could be undertaken by Indian consultancy organisations. 70 In the area of detailed design and engineering for the main plant equipment, foreign collaborations were necessary. Basic and detailed design capability for metallurgical plants and equipment such as coke ovens, blast furnaces, steel making and rolling mills were not yet fully developed in the country.71

Following the idea of setting up a design institute for the ferrous metallurgical industry, a team of Soviet specialists were invited to identify the technology gaps and drew up a project report. The advice of Indian specialists seems to have been disregarded by the government who scemed to rely more on the Soviets. The Soviet report, submitted in 1968, tended to ignore the existence of any design capability in India, it outlined an approach to the forma tion of an 'Indian Gipromez' based on the Soviet experience. There was hardly any reference to the acquisition of equipment design capability.72 At a meeting held with a Soviet team on February 20, 1968, the general manager of the Central Engineering and Design Bureau (CEDB) expressed reservations against the proposal of tying up CEDB to Gipromez, as suggested in the Soviet report. However, a protocol was signed with the Soviet side on March 6, 1968 endorsing the proposed nature of collaboration of CEDB with Giproniez.

Soviet collaboration with CEDB is particularly significant since this has advanced the particular interest of the former in promoting the sale of their equipment and technical services. The official justification of CEDB's collaboration was that the technology gaps in basic and detailed design and engineering of all the units of a steel plant "would best be bridged by a single integrated effort, rather than by our having to seek out and negotiate individually with a large number of private firms... for acquiring their respective skills and specialisations. Such negotiations would have resulted in payment of high know-how fees individually and in the aggregate. It is in this context that the offer of the Soviet Union for technical assistance in the field of metallurgical plant design is extremely welcome"73 However, as shown below, the original Soviet collaboration did not cover basic and detailed design and engineering of the units of a steel plant.

The validity period of the collaboration was initially five years but this has been renewed twice, in 1975 and 1980, for further periods of five years with the inclusion of detailed engineering in the scope. Para 1 of the contract 74 - sets out the scope as "technical assistance in organising" CEDB "on the pattern of Gipronies and its associate design institutes". It provides for the association of Soviet specialists as consultants on designing iron and steel plants during the period of the contract. The tasks of CEDB proposed in para 2 include process and detailed engineering but there is no specific mention of technology transfer relating to these technical services. Para 3 simply mentions the supply of technical documentation related to "guiding materials and norms for the technological designing of the main processes". The list of guiding materials essentially refers to explanatory notes on (i) techno-economic feasibility studies and project reports, (ii) elaborating technical assignments for engineering and manufacturing metallurgical equipment for an integrated steel plant, (iii) elaborating working drawings for the various units of an integrated steel plant and (iv) arranging design supervision.

Thus, the Soviets gave us know-how related to the preparation of techno-economic feasibility studies and detailed project reports for steel plants. This was know-how that CEDB already possessed.

The real gaps existed in (1) the basic design and engineering of the central process units of a steel plant and detailed engineering of the same and (2) design of equipment and preparation of shop drawings for their manufacture. These gaps remain even till today. It was only when the agreement was extended for another five years in 1975, that a part of detailed engineering was included within its scope.

### VII Second Expansion of Bhilai Steel Plant since 1974

The DPR for Bhilai's second expansion from 2.5 Mtpa to 4.0 Mtpa was prepared by CEDB (now, Metallurgical and Engineering

TABLE 15: VALUE OF SPARES ORDERED FROM USSR FOR BOKARO'S OPERATION

	Imports (Rs Lakh)
1978-79	1420.0
1 <b>97</b> 9-80	525.0
1980-81	687.0
1981-82	1388.0
1982-83	1168.0

Source: Given 10 the author by Bokaro Steel Plant.

TABLE I6: BASIS ON MAIN UNITS OF 4.0 M (PA EXPANSION OF BHILLAI

Main Production Unit	Basis
l Coke oven battery no 9	One coke oven battery of 67 ovens, 7 m tall; coke dry quenching
2 Sintering plant no 3	One sintering machine, 75 sq m
3 BF no 7	2000 cu m BF; Cast house slag granulation unit.
4 SMS no 2	3 basic oxygen converters, each 100/130 t capacity
5 Continuous casting plans	4 single strand slab casters and one, 4 strand bloom caster; slag forming mixture plant.
6 Plate mill	3600 mm plate mill with handling and finishing lines.

TABLE 14: SOVIET SPECIALISTS IN OPERATIONS AT BOKARO STEEL PLANT

Category of Specialists	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
General superintendent	1	ŧ	1	ı	1	1	1	1	1	i
Dy general superintendent	1	1	_	1	2	2	2	1	1	
Chief specialist	9	9	9	8	8	10	9	10	9	7
Senior engineer	53	51	51	38	35	40	30	24	14	11
Engineer	104	87	125	86	76	66	62	30	28	19
Foreinan	165	82	96	71	47	16	3		4	4
Total number of specialists	333	231	282	205	169	135	107	66	57	42

Source: Given to the author by Bokaro Steel Plant.

Consulants (India) Ltd (MECON)) under the guidance of Gipromez. 75. Although MECON were appointed the principal consultants to the project, in reality, it was dependent on Gipromez. This is underlined by the fact that in the extension of their collaboration with Gipromez an addendum was included which ensured Soviet participation in the detailed engineering assigned to MECON for the BSP expansion.

The scope of detailed engineering assigned to MECON was preparation of specifications for all hardware and working drawings for foundations, buildings, structures and inter-connected facilities. A major portion of detailed engineering of the main production units was done by the Soviet side. 76 Detailed engineering for coke oven battery no 9 was the responsibility of MECON by virtue of its licence agreement with Giprokoks of the Soviet Union to design, engineer, manufacture, construct and sell 7 m tall ovens of Giprokoks design within India.<sup>77</sup> Detailed engineering for this unit of the plant is being done by MECON under the supervision of Soviet specialists. The design basis, process parameters, material and services balance, qualities and quantities of the products and list of equipment along with their specifications has been provided by Giprokoks. 78 Besides this, Soviet specialists are employed for the supervision of the erection of technological equipment, electrics and instrumentation, bricklaying, heating and commissioning, operation and maintenance of the battery. The project reports for the coal dust injection system, slag house granulation plant, conversion of OH hearth into twin hearth furnace, continuous casting and plate mill was prepared by the Soviets. 79 Thus, the Soviets have had a major role in the design and engineering of the second expansion of Bhilai, MECON, the Indian engineering consultants have largely worked under the guidance of Gipromez, the Soviet design organisation.

The basis of the main production units is given in Table 16. The technology is, in general quite up-to-date considering that the expansion was planned in the first half of the seventies.

The former chairman of HSL, Hiten Bhaya, has stated that BSP actually needed a 4,000 mm plate mill but the Soviets offered a 3,600 mm one. The Indian government however directed the HSL management to justify the adoption of a 3,600 mm plate mill in the wake of the 20 year 'Treaty of Peace, Friendship and Co-operation' signed on August 9, 1971. Thus political factors do oblige Indian decision-makers to concede more than they otherwise would in negotiations on collaboration in the industrial sphere.

Non-USSR (mainly western) equipment has been imported for a number of the main units of plant. The Paul Wurth bell-less top charging system was recommended by the Soviets who have themselves adopted this design in their blast furnaces. Another case

of Soviet recommendation Is the exhauster for the twin hearth furnace. Soviet-designed twin hearth furnaces incorporate an exhauster V-26, supplied by Kunhle, Kopp and Kausch of West Germany. In view of the Soviet performance guarantee (para 9 of the contract for conversion of OH furnace No 10 to twin hearth furnace), it was "essential to accept the exhauster recommended by the Soviet side since this (was) a critical item in the operational process".81 A portion of the mechanical equipment for the 3,600 mm plate mill was manufactured by east European firms and supplied by the Soviets. 82 Third country purchases have taken place when the item of equipment is not within the Soviet manufacturing range. In cases where the equipment design is available with the Soviets, the item may be manufactured in eastern Europe but supplied by the Soviet firm, Tiazpromexport. Otherwise, the Soviets recommend the east European firm which can supply the item. In cases where the Soviet Union has purchased the item of equipment from western firms for its own plants, it recommends these firms to the Indian side.

The direct import content of equipment, structurals, refractories and spare parts is given in Table 17. The import of a large percentage of refractories was necessitated by the adoption of 7.0 m tall coke ovens. The direct import content of equipment for the main units of the plant is given in Table 18. The indirect import content has not been accounted for in these estimates. This can be quite significant in view of the fact that almost all the local equipment manufactured is based on foreign collaborations. However, it must be acknowledged that a significant degree of indigenisation has taken place in coke over plants, smaller size (75 m<sup>2</sup>) sinter plants, 2000 cu m BFs and 100/130 t basic oxygen converters. The direct import content of continuous casting machinery is high (63.8 per cent) since two of the four single strand slab casters and a 4-strand bloom caster have been imported from the Soviet Union. Two single strand bloom casters are from HEC, based on Soviet design documentation. The bulk of imported equipment are for the converter shop, continuous casting plant and the plate mill.

The process of indigenisation of spares depends a lot on the provision of manufacturing drawings by the foreign supplier. As far as proprietary items are concerned, the manufacturing drawings are generally not available. For instance, if BSP issues an enquiry for the manufacturing drawings for 500 items of spare parts, the Soviets may offer the manufacturing drawings of say 200 items. The manufacturing drawings of the balance of 300 items are not offered on the ples that they are not readily available with them. If BSP insists on obtaining these drawings, the Soviet are reluctant and usually quote high prices. They would prefer to supply these 300 items of spare parts since recurring payments at high profit margins

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accrue over the years.<sup>83</sup> The CIF value of orders placed for spare parts to be imported from the USSR for operation of the plant is given in Jable 19.

The Soviets are hard bargainers and derive full advantage when they are in the position of a monopolist. In the seventies when two rolling mill drive motors of 4000 KW each needed replacement, the Soviets quoted a very high price on the plea that these were no longer in regular production. The BSP approached a Japanese supplier who quoted one-half of the Soviet price. Eventually, the

TABLE 17: DIRLO IMPORT CONTENT OF HARDWARE FOR BHILAI'S 4.0 MTPA EXPANSION

ltem	Direct Impori Content (Per Cent)
Equipment	150
Structurals	Nil
Refractories	370

Notes (i) Import contents are based on preliminary, anticipated capital cost as estimated in the first quarter of 1983.

(ii) Calculations are based on FOB values.

Table 18: Direct Import Content of Equipment for Main Units of Plant for Bhilat's 4.0 Mtpa Expansion

Unit of Plant	Ditect Import Content (Per Cent)
Coke ovens	8,3
Sinter plant	26
BF plan.	5.6
Cast house slag	
granulation unit	42.3
SMS and auxiliaries	18.0
Continuous casting Plate mill including	63.8
slab/billet storage	30.4

Notes: (1) Calculated from fourth quarter 1981' estimates.

(ii) Includes the cost of spares and refractories.

Source: Bhilai Steel Plant, 4.0 million tonne Expansion-Details of Capital Cost, Fourth Quarter 1981.

TABLE 19: CIF VALUE OF ORDERS PLACED FOR IMPORT OF SPARE PARTS FOR OPERATION OF BHILAI STEEL PLANT

(Rs Lakh)

Year	Value
1975-76	154.23
1976-77	165.82
1977-78	252.22
1978-79	160.43
1979-80	173.28
1980-81	162.11
1981-82	684.86
1982-83	601.47
1983-84 (upto 21-3-84)	439.74

Note: Compiled from the list of orders placed on Tiazpromexport.

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Source: Bhilai Steel Plant.

Soviets obtained the order from the BSP but had to reduce their price to the Japanese level. Another instance is the high Soviet quotation for 8 horizontal and 4 vertical rolls for the plate mill. BSP then floated a global tender and found that the leading manufacturers quoted a price much lower than the Soviet price for the horizontal rolls. The Soviet price for the vertical rolls was competitive and the order for these rolls was placed with them. In spite of the Soviets approaching the steel ministry and pleading that they had already begun manufacturing the horizontal rolls, BSP placed the order elsewhere. 84

Table 20 gives the number of Soviet specialists in operations and construction over the years since the 2.5 Mtpa plant came into operation. According to some senior executives of BSP, the number of Soviet specialists provided are far beyond what BSP really needs. One instance of this is the seven specialists that were to be deputed for supervising the erection and commissioning of the coal dust injection system. According to BSP, seven specialists were not really needed. TPE however stated that then "as per clause 9 of contract 40164 they shall not bear the responsibility for the plants serviceability".85

### VIII

### Licence Agreements

The Soviets, like their western counterparts, export patented/proprietary technology through licence agreements. The restrictive clauses in these agreements are similar to those found in licence agreements with western firms. In this section, we examine three licence agreements—(i) fluid sand process (ii) design and manufacture of 7 m tall coke ovens and (iii) design and manufacture of dry coke quenching systems.

(i) Fluid Sand Process: In the expansion of Bokaro to 4.0 million ingot tonnes, the Soviets suggested the adoption of their patented technology for the manufacture of ingot moulds and other iron castings. For this purpose they were to provide a nonexclusive access to their knowledge, experience and patent rights for the manufacture and use of self-setting fluid sand mixtures for the production of eastings. In the negotiations for this technology, Licensintorg (the Soviet agency trading in licensed technology), wanted to impose some 'unusual' conditions like additional payments for the provision of Soviet specialists, training of Indian personnel and for access to all modifications and improvements incorporated during the validity of the licence. At a meeting of the Indian secretary to the steel ministry and M P Kuzmin, Soviet first deputy minister for foreign trade, the latter stated that the Soviet quotation was not unreasonable and that when the Soviets buy licences from the west, the conditions are similar, 86 Thus the Soviet Union imposes similar conditions that the west imposes on them in the leasing of patented technology.

BOSP were assured that the equipment

could be fabricated in India. However, in the draft agreement dated July 27, 1973, clause 2.4 states that the licensee shall give preference to the Soviet offer for such equipment or the firms recommended by the Soviets. According to a senior executive of BOSP, proprietary equipment for the process had to be imported from the Soviet Union since the latter was reluctant to sell the manufacturing drawings. Tiazpromexport was also interested in selling the surface active material (one of the raw materials) or licensing its production in India. Bokaro Steel Plant however located an Indian supplier.87 The right to horizontal transfer of technology is virtually the right of the licenser rather than the licensee.88 Additional payments are to be made for access to patented improvements (para 9.3). The licensee was also liable to penalty payments in case the technology is divulged (para 10.3).

(ii) 7 m tall Coke Ovens and (iii) Dry Coke Quenching: Tiazpromexport and Dr C Otto and Comp (FRG) responded to MECON's invitation to quote which was sent to leading coke oven designers/manufacturers. Otto explicitly insisted on a tie-up for the equipment for each battery erected. Also TPE's price was lower and this influenced the choice in its favour. 89

The above mentioned licence agreements<sup>90</sup> contain the following restrictive clauses:

- (i) In case of imports of equipment the licensee is obliged to give preference to the licenser (and firms designated by the licenser) provided the offer is competitive (para 2.5).
- (ii) The licenser's approval is required for adaptation of the technology (para 4.5).
- (iii) The secrecy of the technology is to be maintained by the licensee even after the expiry of the agreement (para 7.3).
- (iv) Further payments are to be made for patentable improvements.
- (v) There is a restriction on exports outside a designated territory (itself quite circumscribed) in so far as the licensers consent is required.

It is reported that the design basis has not been transferred. MECON undertakes the detailed engineering under the supervision of Soviet specialists, based on the collaborators basic design. Even though there is no explicit restrictive clause to ensure Soviet supply of equipment and refractorics, the Soviets have not parted with some important equipment designs. This ensures equipment imports from the Soviet Union. 91

Thus the terms and conditions accompanying the lease of patented or proprietary technology by the Soviet Union are similar to the terms and conditions imposed by western firms.

### IX

# Expansion of Bokaro Steel Plant since 1974

CEDB (now, MECON) were appointed the principal consultants for the expansion of Bokaro to 4.0 Mtpa. This was by virtue of MECON's collaboration with Gipromez in 1970. As mentioned earlier, this collaboration was extended in 1975 for a further period of five years in order to associate Gipromez in the design and engineering of the Bokaro expansion. Under the guidance of Gipromez, MECON updated the Soviet project report of the sixties. The scope of detailed engineering assigned to MECON and Dasturco was the preparation of specifications for part of the hardware (excluding Soviet supplies) and working drawings for civil engineering works, structures, and inter-connected facilities. 92

The direct import content of hardware is given in Table 21. The direct import content of equipment for the main units of the plant is given in Table 22. It must be remembered that most of the Indian supplies of equipment are from firms with foreign collaborations. For instance, the main equipment contract for the cold rolling mills is being executed by Wean United/MECON, Wean United/Engineering Projects (India) Ltd (EPIL) and Siemens/BHEL, for which the foreign exchange component is 44 per cent. It seems that the level of indigenisation as indicated by the low direct import contents

Table 20: Number of Soviet Specialists Employed at BSP

Year	Number of So	Number of Soviet Specialists		
	Operations	Construction. Ejection		
1969	26	38		
1970	21	26		
1971	31	27		
1972	26	12		
1973	17	14		
1974	24	19		
1975	10	26		
1976	11	30		
1977	10	45		
1978	13	48		
1979	16	51		
1980	8	62		
1981	9	76		
1982	41	96		
1983	81	85		

Note: Only those specialists employed for 6 or more months have been included.

Source: Data given to the author by BSP.

Table 21: Direct Import Content of Hardware for Bokaro's 4.0 Mtpa Expansion

ltem	Direct Import Content (Per Cent)	
Equipment	20.0 (approx)	
Structurals	15.1	
Refractories	16.6	

Notes: (i) Base Date of calculations is April 1982.

(ii) The direct import content of equipment is the author's estimate.

Bokero Steel Plant Project Conital

Source: Bokaro Steel Plant, Revised Capital Cost Estimate, 4.0 Mtpa Expansion, 1982. is therefore highly exaggerated. The main equipment contract for the CRM complex to MECON and EPIL "has been hailed as an indigenous effort promoting self-reliance. In reality, it represents the back door entry of US and West German MNCs". 93 The contract for the CRM was earlier awarded to the Soviet firm Tiazpromexport but this was later rescinded. Soviet technology for the CRM would have been of a lower level but the indigenous content of equipment supply would have been much higher. 94

### X

### Visakhapatnam Steel Project since 1979

Visakhapatnam Steel Project (VSP) was approved by the Public Investment Board (PIB) in October 1973 and Dasturco were assigned the preparation of the project report which was submitted in October 1977. Later, the project concept was revised by Dasturco to incorporate more recent technological developments and approved by the PIB in May 1979.95 An inter-governmental agreement on Soviet co-operation in the construction of VSP was signed on June 12, 1979 at Moscow. 46 Although Dasturco were designated as the so-called principal consultants, as per the Indo-Soviet agreement, a large part of the planning, design and engineering was to be done by the Soviets. The Dasturco project report was to be revised on the basis of technological data furnished by the Soviets.97 The DPR with respect to the main production shops was to be prepared by the latter. 98 Further, the Soviets were to "participate in the preparation of estimates and economics and concur in the general layout of the steel plant". The revised DPR was to be "carried out in India jointly by Soviet and Indian organisations". 99

The Soviet side was assigned to do the detailed engineering for the coke oven and by-products plant and dry coke quenching station (this later came under MECON's scope of work as a result of licence agreements with the Soviets), sinter plant and BF plant of phase I. The engineering fees quoted for this was 7.623 million roubles. This was later reduced to 6.579 million roubles which worked out to 2.4 per cent of initial plant cost of the units. The level of engineering fces prevalent in the international market for establishing new integrated steel plants is of the order of 7.0 per cent of plant cost. The engineering fees charged by the Soviets was thus lower than international levels. 100

The detailed technical project for the continuous casting machines for SMS-1 was being done by the Soviet side. The detailed technical project was a comprehensive document covering all aspects of design, construction, manufacture, erection, commissioning, operation and maintenance of the continuous casting machines, handling and finishing lines and their associated auxiliaries. Of The Soviets also jointly prepared,

the preliminary drawings for the execution of vertical levelling of the construction site. Further, they supplied technical documentation containing basic concepts of project execution scheme covering erection of structurals, technological equipment and refractory works of some of the main units of the plant up to continuous casting. 102 For the second stage a large part of the more difficult detailed engineering and design documentation was to be obtained from the Soviet Union. 103 Manufacturing documentation for the main equipment of the coke oven and by-products plant, sinter plant, BF plant and continuous casting plant were provided by the Soviets. The converters proper were being imported while HEC were to design and manufacture non-critical items like ladle cars, hot metal mixers, ladles, EOT cranes, etc, for the steel melting shop. 104

The import content of planning, design and engineering including supervision is given in Table 23. The process of gradual indigenisation of design and engineering seems to have been reversed as indicated by the high foreign content of the revised detailed project report and design and engineering.

The budgetary import content of equipment, structurals, refractories and spares is given in Table 24. The indigenous component of equipment mainly includes machine tools, pumps, pipings, ventilation equipment, switchgears, transformers, cables, cranes and weighbridges, etc. The entire range of material handling equipment, conveyor system, vibratory feeders and cranes are to be locally manufactured.

The budgetary import content of equipment of the main units of plant for VSP's first (1.2 Mtpa) phase is given in Table 25. The higher FE contents of some units of plant are mainly due to the choice of higher scales of units of plant viz, 7 m tall coke ovens with effective volume of 41.6 cum; 312

sq m sinter machines with 420 sq m straight strand type coolers; and 3200 cum BFs. The adoption larger scales of units of plant and equipment than previously adopted is largely the result of lobbying. The choice of 3200 cum BFs was in the Soviet commercial interest. Changing the scale parameters over short periods is harmful to Indian manufacturing interests. After the supply of the fourth 2000 cum BF, indigenisation was quite advanced. However the choice of the 3200 cum BF necessitated substantial imports. The same holds true for the adoption of 312 sq m sintering plants as compared to 252 sqm plants. HEC had to start the indigenisation process all over again with a large import content. Foreign finance is a major consideration that constrains local

TABLE 23: IMPORE CONTENT OF PROJECT REPORT, DESIGN AND ENGINEERING AND TECHNICAL SUPERVISION OF VSP

	fotal Value (Rs million)	Import Content (Per Cent)
Preparation and revision of DPR Detailed engineering,	55.85	6] 8
technical project reports, technical documentation, pro- ject execution schemes and deputa- tion of specialists	1071,79*	47 7

Note: \* Calculated on the basis of contracts entered into on or before March 31, 1984. Payments for manufacturing documentation and training have been excluded.

Source: Visakhapatnam Steel Project, Revised Budget for 1984-85 and Original Budget for 1985-86, Visakhapatnam, pp 203-204.

TABLE 22: DIRECT IMPORT CONTENT OF EQUIPMENT OF MAIN PRODUCTION UNITS FOR BOKARO'S 4.0 MTPA EXPANSION

Main Production Unit	Basis	Direct Import Content (Per Cent)
1 Coke ovens	3 nos coke oven batteries with 69 ovens, each oven of 27.3 cu m capacity	12.7
2 Sintering plant	one 252 sq m sintering machine	6.7
3 BF plant	2 nos, 2000 cu m BFs	5.4
4 SMS	1 nc 100/130 t and 2 nos 300 t basic oxygen converters	21.6
5 Hot rolling millis	6 nos soaking pits; one re-heating furnace	24.1
6 Cold rolling mills (CRM)	one 1420 inm, 5 stand tandem mill; 5 nos shearing and slitting lines; one galvanising line.	44.0*

Notes: (i) Besides the main equipment, the calculations include other production and auxiliary equipment.

(ii) \*The CRM equipment has been shown as locally supplied. Actually, the main equipment, supplied by Wean United (US)/MECON, Wean United/EP11. and Siemens/BHEL, has a foreign exchange component of 44 per cent, as estimated by the author.

Source: BOSP, First Revised Project Estimate, 4.0 Mtpa Expansion, December 1979.

decision makers exercising the choice since the government finds it politically difficult to mobilise rupee resources. Economies of scale are seldom realised in practice since higher scales of plant need a greater technological discipline which is absent in India. 105

Soviet equipment prices (per unit of rated output) have been, on an average, 10 per cent lower than western prices of similar equipment. 106 Soviet equipment prices in comparison with western prices, are generally a function of the relative Soviet technical level vis-a-vis western firms in a specific unit of plant. For instance, in blast furnace, coke oven and sintering plant equipment, Soviet prices correspond more closely to western prices. In rolling mill machinery, Soviet prices are lower. It must however be qualified that there are inherent difficulties in comparing the prices of capital goods because of their heterogeneity (e g, differences in design and quality). The relative strength of the recipient in the process of negotiations and bargaining is also very important.

### XI Summary and Conclusions

In this paper, we have made an attempt to evaluate Soviet collaboration in the steel industry over a period of 30 years, 1954-84

TABLE 24: BUDGETARY IMPORT CONTENT OF HARDWARE FOR VSP

	Direct Import Content (Per Cent)
Equipment	35.8
Structurals	2.1
Refractories	35.0
Additional spares	35.8

Note: The base year for prices is the first quarter of 1980.

Source: M N Dastur and Co Pvt Ltd, Revised DPR on VSP, Vol 1, Summary, November 1980. on various counts Ilke the degree of indigenisation allowable, the comparative cost of design and engineering and equipment, the extent of transfer of technology, etc. Our evidence is quite mixed but a trend that suggests a hardening of terms and conditions is discernible from the mid-sixties onward, beginning with the first stage of the Bokaro steel project. In view of this, Soviet collaboration in the 1.0 Mtpa plant at Bhilai can perhaps be viewed in terms of the concessions that a relative newconier has to concede in order to enter and consolidate his position in an oligopolistic international market.

The hypothesis that Soviet soft, long-term credit is tied through commercial agreements to the sale of heavy industry equipment at higher than world market prices is not borne out in our study. However, the Indo-Soviet agreements on economic and technical cooperation have a clause on pricing guidelines that states that "prices of equipment, machinery and materials shall be established... in the course of negotiations of the contract on the basis of world market prices". 107 We have shown that Soviet prices are roughly 10 per cent lower than western prices of similar equipment. In coke evens, sintering plants and BFs, Soviet prices are at par with western prices. These are areas where Soviet technological levels are at par with that of the west. In steelmaking, continuous casting and rolling mill equipment, Soviet prices are lower than the corresponding western prices. The reason is the lower Soviet technological level in these areas. The Soviets however, offer better terms of credit. It is however, obvious that a western capitalist price cannot be assumed to be the 'fair price'. 108 A comparison of Soviet prices of machinery sold to the west and similar sales to the third world shows the latter prices to be three-tenth to one-half higher than the former. 109 This perhaps reflects the poor bargaining strength of the third world due to tied aid, technological dependence and underdevelopment.

There is a view that since Soviet credit is

Table 25: Import Content of Equipment of Main Units of Plant for VSP, Phase 1

Unit of Plant	Basis	Direct Import Content (Per Cent)
Coke oven and by- products plant	1½ batteries (coke ovens 7.0 m tall) of 65 ovens each, 1.13 Mtpa dry metallurgical coke	37.0
Sinter plant	1 × 312 sq m sinter machine	52.6
BF plant	1 × 3200 cu m BF	69 9
Steel melt shop	2 × 130 t LD converters 4 × 4 strand bloom easters	22.9

Notes: (i) First Quarter 1980 prices.

- (ii) Import content has been calculated on the basis of FOB prices.
- (iii) Sales tax on indigenous equipment has been excluded.
- (iv) The 'core' component of equipment of each unit of plant has an even higher import content.

Source: M N Dastur and Co Pvt Ltd, Revised DPR on VSP, Vol 1, Summary, November 1980, Appendix 33-1.

double tied (viz, tied to a particular project and to the country of origin), the cost of tying may be higher. 110 Further, the prices of machinery and equipment from COMECON countries were higher than those offered by other countries. 111 This position has however, not been documented with proper evidence. The Estimates Committee of parliament came to the view that the 'prices of goods from east European countries are generally competitive and these are reduced whenever any case of high prices is noticed. 112 However, in cases where the Soviets are in the position of a monopolist (viz, the recipient has no other potential source of supply), we have come across instances where Soviet prices have been significantly higher than the buyers expectations and also western prices.

The source of supply of equipment for the main units of plant is largely Soviet determined. This is partly due to Soviet control of technology in Soviet collaborated HEC which has been dependent on Soviet equipment designs and manufacturing drawings for even auxiliary equipment. However, as our data on import contents show, the Soviets have permitted a great deal of indigenous manufacture with completing equipment and components imported from the Soviet Union. There has been a progressive indigenisation of equipment, structurals and refractories over the years. The levels of import dependence are however underestimated in view of the indirect import contents not being accounted for. A significant degree of indigenisation has been achieved in the Bhilai and Bokaro 4.0 Mtpa expansions, especially in equipment for coke ovens, by-products plant and BF plant. The import content of equipment for coke oven plants is now 5-10 per cent while that of BF plants (with 2000 cum BFs) is around 10 per cent. Equipment for sintering plants is still largely imported although the direct import content at Bokaro and Bhilai are below 10 per cent. The total import content of equipment for sintering plants is actually around 50 per cent. 113 The adoption of higher sizes of units of plant at Visakhapatnam has led to higher import content of equipment. For instance, the import content of equipment in phase I for the coke ovens, sinter plant and BF is 37.0, 52.6 and 69.9 per cent respectively. Contrast this with the import content of equipment of these units of plant at Bhilai and Bokaro 4.0 Mtpa expansions where smaller sizes of units of plant have been adopted.

A considerable level of indigenisation of equipment has been possible in Soviet collaborated projects, largely due to Soviet willingness to supply equipment designs. The same is however, not evident in plant design and engineering, especially the detailed engineering of the main production units of plant. MECON has been allotted considerable plant design work in Soviet collaborated projects because of its collaboration with Gipromez. In Bokaro's first stage, the Soviets insisted on directly retaining the.

plant design portfolio. At Vlsakhapatnam too the Soviets are responsible for a large portion of the design and engineering.

In the leasing of licensed technology the Soviets are no different from their western counterparts. An examination of the contractual arrangements shows that these are designed to prolong technology importation, prevent complete assimilation and magnify social costs.

Since the establishment of Soviet-western interdependence in the trade of technology and capital equipment, the western content of Soviet collaborated steel projects in India has increased. In the Bhilai 4.0 Mtpa expansion, the western import content is said to be around half the total import content. SMS Schloemann Siemag and Siemens sell rolling mill equipment in the Soviet Union and this pattern has been followed at the Soviet-collaborated VSP. Soviet-collaborated Indian public sector plants are now obtaining an increasing amount of their technological needs from the west. Perhaps, the dependent recipient can simultaneously trade with both systems-'socialist' and capitalist—and thus reduce the degree of dependence on any one system.

According to a COPU report, 114 the managing directors and chairmen of leading public sector enterprises have emphatically stated that technology and capital equipment from the Soviet Union and other socialist countries "has largely fulfilled the objectives and... the performance of the units set up has been very satisfactory". Par ticular note has been made of the "dedication of Soviet specialists in the matter of transfer of technology and in helping the public sector units to absorb technology and reach self-reliance". While Soviet specialists deserve commendation, their continuous engagement at Sovict collaborated projects, for example, in operations at Bhilai over the last 25 years, speaks very poorly of the absorption of technology. It reflects a debilitating dependence where Indian personnel are made to feel that they are incapable and inadequately equipped to independently handle technological issues.

Lastly, Indian inability to achieve her potential degree of technological self-reliance in the ferrous metallurgical field cannot be explained merely by the modus operandi of foreign collaborators. Local managements do not want to take risks that independent indigenous efforts in technology entail. In contrast, witness the Soviet experience in building technological self-reliance in their steel industry. Self-reliance in the Indian context is given mere lip service. The institutional basis for its germination has been weakened by retrograde policy and practice

### Notes

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earlier draft of this paper. However, the author alone is responsible for any errors and omissions that remain.]

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# A Case for Oversampling the Rich in Statistical Investigations

### Ritabari Roychowdhury Ashok Rudra

In view of the systematic underestimation of aggregates which are associated with the richer sections of the population in the National Sample Survey and other large scale sample surveys, this paper makes a case for oversampling the rich in such surveys.

T

THIS paper aims at making a case for oversampling the rich in economic investigations by the method of sample survey of statistical theory. The case is argued on the basis of an analysis based on Sampling Theory of a phenomenon that is of extreme importance relating to the estimates based on the National Sample Survey and other large scale sample surveys. The phenomenon in question is the systematic underestimation in such survey results of aggregates which are associated with the richer sections of the population. Table 1 presents a list of items for which the estimate of purchase during the year 1973-74 was nil according to the National Sample Survey 28th round. There cannot be any doubt that the true values are not zero and therefore these are examples of gross underestimation. We believe that careful scrutiny will show that such underestimation occurs for many other items. We investigate in this paper why it is so. Whatever the reason, the matter would be of no great interest if it were restricted exclusively to luxury consumer goods. After all, why bother about NSS estimates of motor cars and TV sets when reliable production figures are easily available. However, there are quite a number of economic variables associated with the rich the magnitudes of which are critically Important for any measurements in development as well as policy economics for which no other statistics are available and which are underestimated in NSS type surveys. Some examples of such variables are personal savings, personal wealth, direct taxes paid by individuals, use of farm machinery by farmers, sale of products by farmers, land owned and leased out by farmers, foreign travel by individuals, other uses of foreign exchange by individuals, etc. These variables are such as to be strongly and positively associated with the variable 'personal income', with the typical feature of taking zero value upto a certain point in the range of personal income and then taking sharply rising values for increasing values of personal income (see Diagram 1). Given the highly skew distribution of the income variable itself the typical shape of the distribution of these variables is J-shaped, as shown in Diagram 2, with a concentration of a high proportion of frequency at the variable value 0.

Our argument in the course of the paper

will be that any sampling from a J-shaped population like the one's described above would, with a certain high probability, yield underestimates of the population mean and also be subject to intolerably large margins of error, unless the precaution is taken of stratifying the population into fractile groups and distributing the total sample size among the strata in such a fashion as to oversample the rich; that is, higher the level of income, and therefore higher the variable value positively associated with income, higher should be the sampling fraction. If the total sample size is n and if there are k strata, then the allocations should be such that n,> n, where i refers to a higher fractile group than  $j(\Sigma n = n)$ .

Intuitively, the argument is as follows. If a high proportion of a population takes the value zero for a variable y, then most of the sample observations would take the value zero and therefore not contribute any information about that aggregate. Observations with non-zero value of y would be relatively small in number and therefore estimates based on them would be subject to large margins of error. (For example, in the NSS 28th round out of sample of 23,348 households only 4 reported purchase of motor cars.) Further, most sample observations would be concentrated at the left hand extreme of the J-shaped distribution, whereas variable values in the far out tail area may not occur at all because of the small probability associated with them. This would lead to an underestimation of the aggregate to which the contribution of these far out values is considerably important despite their relative infrequency.

We shall, to begin with, conduct our arguments in terms of a model of single stage simple random sampling with replacement from a J-shaped distribution without any stratification. Then we shall bring in considerations of stratification based on fractiles. Finally, we shall take into account the complicated multistage designs like that of the NSS and show that our conclusions remain valid though the demonstration has to be different.

### П

Consider a simple random sample of size n drawn with replacement from a population with a very low proportion r possessing a certain attribute. The number k of units in

the sample which possess the attribute will follow the Binomial distribution with parameters n and r and given that n is large and r is very small this can be approximated by the Poisson distribution with parameter m = nr. From tables of the Poisson distribution we see that for nr = 0.65 the probability of there being no unit in such a sample possessing the required attribute is greater than half. And for nr = .01 that same probability is above 0.99. Table 2 presents a certain number of combinations of n and r such that nr = .01 and nr = 0.65. For such sample sizes and the corresponding relative frequencies in the population the probability that the characteristic will not be observed at all is 0.99 and 0.50 respectively. Consider now the distribution function F(x) of a population according to per capita income x which we know to be highly skew. If we are drawing a sample of n then there is always an xo such that the probability of getting any observation beyond x<sub>0</sub> is less

TABLE 1: A LISEOF TERMS FOR WHICH THE NATIONAL SAMPLE SURVEY, 28TH ROUND SAMPLE DOES NOT INCLUDE A SINGLE HOUSTHOLD PURCHASING THEM DURING THE PERIOD JULY 1973 TO JUNE 1974 IN THE WHOLD OF INDIA

SI	• 1	Number of Households in he Sample Pur- hasing the Item
1 2 3 4 5 6 7 8 9	Dressing Table Gramophone/Record play Radiogram Tape Recorders Washing machine Typewriter Refrigerator Airconditioner Perambulator	0 0 0 0 0 0 0

Note: The estimates based on such a sample would obviously yield nil consumption of these items in India from July, 1973 to June 1974.

TABLE 2: SOME COMBINATIONS OF n AND p SO THAT np =0.65

n	np - 0.01	np = 0.65
50	0002	.0130
100	.0001	.0065
500	.00002	.0013
1000	.00001	.00065

DIAGRAM 1: DISTRIBUTION OF PER CAPITA INCOME AND FUNCTION DEPENDENT ON THAT

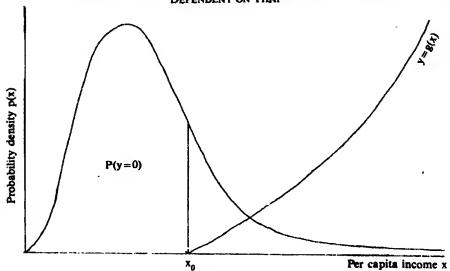
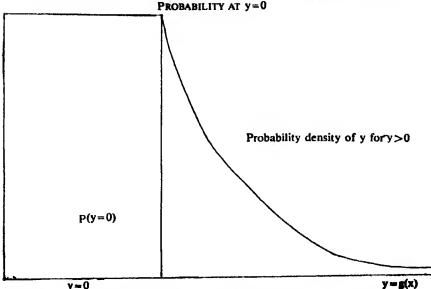


DIAGRAM 2: J-SHAPED DISTRIBUTION OF Y WITH A CONCENTRATION OF



than .01. This x<sub>0</sub> would be given by

$$P(x_0) = 1 - F(x_0) = \int_0^{\infty} dF(x) \leq \frac{0.01}{n}$$
 (1)

If n = 50, then  $P(x_0) = .0002$ . If n = 1000,  $P(x_0) = .0001$ . The probability is 0.99 that the sample would include not a single observation with  $x \geqslant x_0$ . That is, the sample observations  $x_1 x_2 ldots x_n$  would all be less than  $x_0$  with 99 per cent probability. The sample mean  $\frac{1}{2} \sum x_i$  would then be effectively an estimate of

$$\int_{0}^{\infty} x df(x) \qquad \qquad \dots (2)$$

with probability nearly 1. The true population mean would be underestimated by the

$$q(x) = \frac{\int_{x_0}^{\infty} x dF(x)}{\int_{0}^{\infty} x dF(x)} \dots (3)$$

which would be much higher than P(x<sub>0</sub>),

given the skew nature of F(x).

Let y be an increasing function of x (being one of the variables which have mentioned before as being associated with the rich. Then the sample estimate  $\frac{\Sigma y}{n}$  of the population mean would also be underestimated and that to the degree

$$\int_{x_0}^{\infty} yd F(x)$$

$$\int_{0}^{x_0} yd F(x)$$
which would also be greater than  $1-F(x_0)$ .

III

We shall now turn to the question of errors of the estimates. Let a variable y associated with the rich be such that it takes zero value for all members of the population with per capita income x & x1. Let the first two moments of y be m and o and let m, and o, be the corresponding moments when one considers the truncated population con-

sisting only of the non zero values of y. Then y Is a J-shaped distribution with a concentration of probability at the values 0, and

$$m = p m_1 \dots (5)$$

and 
$$\sigma^2 = p \sigma_1^2 + p q m_1^2 \dots$$
 (6)  
where  $q = 1 p = \int_{0}^{x_1} dF(x)$ 

The variance of the estimate (4) of (5) is then

$$\frac{\sigma}{n}^2 = \frac{p}{n} \sigma_1^2 (1 + q \frac{m_1^2}{\sigma_1^2}) \dots (7)$$

If however the entire sample n was drawn from the population for which x >x, and therefore y>0, then ywould be an estimator of m, and m would be estimated by p y The variance of this estimate would be

$$\frac{p^2}{n} \sigma_1^2 \qquad \dots (8)$$

and this is much less than (7):

$$\frac{\mathbf{p}^2}{\mathbf{n}} \frac{\sigma_1^2}{\mathbf{s}^2} \leqslant \frac{\mathbf{p}}{\mathbf{n}} \frac{\sigma_1^2}{\mathbf{s}^2} \leqslant \frac{\mathbf{p}}{\mathbf{n}} \frac{\sigma_1^2}{\mathbf{s}^2} (1 + \mathbf{q} \frac{\mathbf{m}_1^2}{\sigma_1^2}) \dots (9)$$

Incidentally, the term.  $\frac{P}{n}$  of the expression (9) is nothing but the variance of the estimator yp of m if the sample size were only no and it were all allocated to the subpopulation with  $x>x_1$  and y>0.

There is thus obviously a case for stratification in drawing a sample from a population that can be divided into two parts, one composed entirely of observations with zero values. Efficient allocation would involve drawing the whole sample from the stratum with non-zero values and the gain due to stratification would be

$$\frac{p_{q_1}}{n} (m_1^2 + \sigma_1^2)$$
 ... (10)

It would be even better if the non-zero part of the population be divided into k fractile groups  $S_1, S_2, \ldots, S_k$  as follows. Stratus  $S_i$  for  $1 \le i \le k$  would consist of all population values of x satisfying the inequality.

where 
$$y_0 = 0$$
 and  $y_1$  is defined by
$$\int_{1}^{y_1} dG(x) = \frac{1}{k}$$
(11)

where 
$$G(x) = \frac{F(x)-q}{p}$$

Stratum k would consist of all population values y such that y>yk-1 and

$$\int_{Y_k}^{\infty} dG(x) = \frac{1}{k}.$$
 (12)

As is well known, the error of estimation can now be further reduced by making allocation of the n sample observations among the strata satisfying the following proportionali-

$$n_i/n_j = o_i/o_j$$
 ... (13) where  $n_j$  and  $n_j$  are the allocations to the

i-th and j-th strata and  $\sigma_1$  and  $\sigma_2$  are the within strata standard deviations of these two strata. It can be shown that if i> j, then  $\sigma_i > \sigma_j$ . (For proof, see Appendix Note 2). Hence 'efficient' allocation would involve  $n_i > n_i$ .

Most economic investigations aim at estimating a multiplicity of aggregates and as is well known a scheme of stratification and allocation which is optimal for one variable will not be so for any other variable (save under exceptional situations). In any case, the standard deviations of the population as a whole or the different strata are not known. As such, as in any other situation of stratified sampling, the result (13) above is only of theoretical interest. All the same, the result can be used to justify a scheme of stratification corresponding to fractile groups based on per capita income x and a principle of over sampling the rich, that is, of providing higher sampling fractions for strata corresponding to higher income groups. That is because, for all strata above the modal value of the variable x, the relation  $\sigma > \sigma$ , would hold for the variable x as well as all the associated variables y, u, v, etc, taking zero value up to some point in the x axis beyond the modal value of x.

We shall now argue that even when the sample design is not one of simple random sampling with replacement, even when the design is highly complicated like, say, that of the National Sample Survey, the results proved above would all the same hold. That is, even in such cases, it would be almost certain (i.e., with probability 0.99) that there would be some underestimation of the true population value and the estimate would be subject to an intolerably large margin of error. The general formula of a multi-stage stratified sampling with replacement at the last stage may be written as

$$Y = \operatorname{in} \sum_{i=1}^{k} \sum_{j=1}^{T} \sum_{i=1}^{\operatorname{nst}} \sum_{j}^{\operatorname{hati}} Y_{\operatorname{staj}} \qquad \dots (14)$$

where Y is the observation on the j-th unit in the i-th sample block or village in the s-th sub-stratum in the s-th stratum. We assume that the sample  $Y_{stij}$  (j=1 .... hsti) constitute a simple random sample with replacement from the population of the village or the block or the sub-stratum within it. We have also assumed that the sample design is a self-weighting one; that is one with a common multiplier m. In actual practice, however, the multiplier is quite often not common. But one can always think of a sample design with the same stages and stratifications but different sample sizes corresponding to the strata and the stages that would be equivalent to one with a variable multiplier. Let Y<sub>stij</sub> be a variable which takes the value I when  $x > x_0$  and takes the value 0 when  $x \le x_0$ . The,  $Y_{sti} = \sum_{sti} Y_{sti}$  is the number of sample units belonging to the class of the rich (defined by per capita income x being above x<sub>0</sub>) in the sample of size h<sub>sti</sub>. The probability P(x<sub>0</sub>) being very small, may be regarded as being a Poisson variable with mean h<sub>sti</sub> P(x<sub>0</sub>). The sum of a number of independent Poisson variables being itself a Poisson variable, the sum

$$Y = \sum_{i}^{k} \sum_{j} \sum_{i} Y_{sti} \qquad \dots (15)$$

may also be regarded as a Poisson variable

$$P(x_0) \stackrel{k}{\underset{s}{\overset{T}{\sum}}} \stackrel{x}{\underset{t}{\overset{u}{\sum}}} \Sigma h_{sh} \qquad \dots (16)$$

As such the results that we have derived before regarding the probability of all observations, (here Y) taking zero value as well as the standard error of the estimate may be well treated as applicable to the present case.

### **Appendix Notes**

(1) The observed fact of underestimation in the NSS reports of aggregates of these variables may be partly explained by factors which are independent of the sampling design. The lirst is a tendency on the part of respondents in the high income brackets to deliberately under-report certain matters relating to their income and wealth. The higher the income the greater is this tendency. There may also be a tendency on the part of selected households belonging to the higher income groups to refuse to co-operate with the investigators. Once again, the richer the respondent, the stronger the tendency. The practice in the NSS in such an eventuality is to replace such a household by a second randomly selected household. The eventual sample that is selected may be regarded as drawn not from the original population but a sub-population in which the proportion of higher income groups households will be tess than in the original population. Let p be the proportion of households belonging to a stratum consisting of a certain higher income group and let q, be the proportion of households in this stratum which co-operate. Let q, be the proportion of households in the other stratum which co-operate, q, being greater than q. In a scheme of simple

random sampling with replacement, the expected number of sample observations in the stratum corresponding to the higher income group would not be np but

$$\frac{npq_1}{(\overline{l-q_1})q_2 + pq_1} \qquad \dots \qquad (17)$$

which is obviously less than np.

(2) The density function for the probability distribution within the i-th fractile group defined as in the text above is given by

$$f_i(x) = \frac{k f(x)}{p} \qquad (18)$$

when f(x) is the density function for the population as a whole.

Let m, be the mean of the i-th fractile group. Consider any a>0. If the distribution of x be J-shaped, f(x) > f(x') whenever x < x'. Hence for every a > 0 and every pair of i and j such that i > j.

$$f_i (m_i + a) =$$

$$\frac{k f(m_i + a)}{p} < \frac{k f(m_i + a)}{p} = f_j(m_j + a)$$

$$f_1(m_1 - a) =$$

$$\frac{k f(m_i - a)}{p} < \frac{k f(m_j - a)}{p} = f_j(m_j - a)$$

$$\int_{m_{1} - a}^{m_{1} + a} f_{i}(x) dx < \int_{m_{1} - a}^{m_{1} + a} f_{i}(x) dx$$

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Krishna Raj

Krislina Raj

(The strict inequality would be held as long as  $0 < a < x_1 - m_1$  where  $x_1$  is the upper limit for the values of x belonging to the j-th fractile.) This indeed is a sufficient condition for  $\sigma_1 > \sigma_1$ . (A proof is provided in Mood, Graybill and Boes, page 74.)

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Introduction to the Theory of Statistics, Mood, A M, Graybill, F A, and Boes, D C, Macgraw Hill, Kogakusha. Third edition, 1974, page 74.

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# On Economic Crisis and Transition from Capitalism

Paresh Chattopadhyay

SURENDRA J PATEL has honoured us by replying to our critique of his original paper (EPW, Vol 22, No 12).1 In what follows we shall first sum up his points of criticism of our position and then try to examine them in that order. In order not to prolong the debate unnecessarily we shall, in our reply, basically confine ourselves to those issues which we had raised earlier and around which he has criticised our position. We shall leave aside rest of the issues, however important they are otherwise and however much we would have ordinarily liked to comment on them (those concerning, for example, the 'correspondence' between the forces and the relations of production, etc).

According to Patel (1) we have incorrectly characterised his use of the term 'economic formation' as 'class-neutral', whereas his discussion of the term in the context of "broad historical epochs and particular economic and social structures" would prove the contrary, more so when "even Marx in his presentation of historic evolution in the preface to the 'critique' did not mention the word 'class' " [1987: 519].

- (2) We have been wrong in asserting that an economic formation, hitherto capitalist, cannot be ealled 'post-capitalist' or 'presocialist' even with the implementation of the Communist Manifesto's 'ten measures' of reform, in the absence of the political rule ol' the working class. Patel has particularly taken us to task for our silence on the necessity of what the Manifesto calls "winning the battle for democracy."
- (3) Patel's main criticism, as regards our position, is, however, that we seem to have argued that "world capitalism (has) remained unchanged" for the last one or two hundred years,? whereas the tremendous changes at various levels wrought on world capitalism during this period should presumably be clear to everbody.

First, we characterised Patel's formation as 'class-neutral' not because he had not used the word 'class'—contrary to what he thinks—but because in his grouping of the different countries under three basic categories—'capitalist', 'intermediate' and 'socialist'—he had abstracted from the crucial question of the specificity of the relations of the immediate producers to their conditions of production which Marx holds as the fundamental criterion of distinguishing one economic-social formation from another, and in the absence of any reference to the production relations, there could be

no implication of class relations either.

Secondly, if on the specific question of "historic evolution" the word 'class' does not appear in Marx's 1859 'Preface' it is because at the very start of the 'Preface' Marx has already spoken of the "three great classes" of the bourgeois society the conditions of existence of which form the subject matter of his investigation. Further, when discussing the "progressive epochs of economic-social formations" in the same 'Preface' Marx specifically refers to the four "modes of production". As we know, a specific mode of production in Marx signifies, besides the material forces of production, specific relations of production which, at least insofar as they are antagonistic, are basically class

### П

When we emphasised that the proletariat coming to political power was the indispensable preliminary step towards socialism we were merely following the order of priority set by the authors of the Communist Manifesto. They then selves state that "the first step (der erste Schritt) in the worker revolution is the elevation of the proletariat to (the rank of) the ruling class" (we are translating the sentence as literally as possible). A few paragraphs earlier we find the authors formulating the same idea in almost identical terms: "The proletariat first of all (zunächst) conquers political rule" [Marx-Engels, 1966-74]. Patel emphasises that we had omitted an important portion from the text while quoting from the Manifesto on the necessity of "raising the proletariat to the position of the ruling class", the portion that immediately follows this expression, namely, "to win the battle of democracy" (a more appropriate translation would be "conquest (Erkampfung) of democracy"). He adds that the latter is a separate condition and that the latter together with the former constitute "two pre-conditions" [1987:521; emphasis in the text | (for 'post-capitalism'). True, we did not add what Patel considers to be the second 'pre-condition'. Now an attentive reading of the relevant text would immediately show that "the conquest of democracy" is not a separate 'pre-condition'; it is equivalent to the "elevation of the proletariat to (the rank of) the ruling class". That is why the Manifesto speaks of only one step-"the first step"-and not two steps comprising these two equivalent expressions. (We are using 'equivalent' in the sense of formal logic, that is, the 'two expressions are verbally different but both assert the same matter of fact" as Susan Stebbing, a noted authority, would have it). This is, of course, as it should be, inasmuch as it is only with the rule of the proletariat (together with its allies among the other classes and strata of society)—and not of a self-appointed group in its name, let us repeat—that the society's majority, for the first time in history, holds political power. Indeed, if "the proletarian movement is . . . the movement of the immense majority in the interest of the immense majority" [Marx-Engels, 1966:68], of which the outcome is the proletarian rule, what else is this rule but the "conquest of democracy"? This is also confirmed by the positions of the later Engels and of Lenin on the question. Thus referring to state power under the Paris Commune of 1871, which was the rule of the proletariat, Engels calls it "truly democratic" [in Marx-Engels, 1973:624]. Similarly Lenin observes that "the dictatorship of the proletariat for the first time gives democracy to the people" [Lenin, 1982:298]. The carlier democracy— the bourgeois democracy-is, as the Marxist classics repeatedly stress, a democracy for the minority, and in that sense really not a democracy in terms of the society as a whole.

The preceding remarks, however, do not at all imply that the establishment and continuation of bourgeois democracy is unimportant for the working class fighting to climinate capitalism. On the contrary. Compared to the different types of absolutism associated with the absence of elementary individual and collective rights of the workers, bourgeois democracy is an unmense step forward offering many opportunities to the fighting proletariat, and there is no question that it must fight for those rights and avail themselves of the associated opportunities without, of course, "wearing out this daily increasing mass of force in vanguard skirmishes but to keep it intact until the decisive day" [in Marx-Engels 1966:655].

In this connection Patel has taken us to task for our attaching relatively less importance to the implementation of "ten measures" (as compraed to the proletarian political power) as laid down in the communist manifesto inasmuch as, according to him, the authors of the manifesto considered them as "the most radical rupture with the traditional ideas". This latter interpretation, we submit, is—to put it mildly—far-fetched. A careful perusal of the relevant text shows that the manifesto's sentence about the 'ideas' cited above appears at the end of the polemical discussion of what the manifesto calls the "bourgeois objections against communism". Only after that discussion does the manifesto turn to laying down the different transitional steps-including the "ten measures"-for the proletariat. Indeed, in Patel's own "full eitation" concerning the transitional steps, as he calls it [1986:542], the particular sentence nowhere appears. As a matter of fact the sentence in question constitutes the conclusion of the manifesto's reply to the "charges against communism from the standpoint of religion, philosophy and ideology" in the course of which appears the famous affirmation: "The ruling ideas of an epoch were always only the ideas of the ruling class". Inasmuch as "the social consciousness of all past centuries could be fully dissolved only with the complete disappearance of class antagonisms" and inasmuch as "the communist revolution is the most radical break with the traditional property relations", it is only in the course of the development of this revolution that "the most radical break with the traditional ideas" could occur, concludes the manifesto [Marx-Engels 1966:75-76]. In other words, "the most radical break with the traditional ideas" would hot occur in the absence of the proletarian political power, the very "first step in the worker revolution", even if all the ten measures were implemented.

In our initial critique of Patel's classification of different (economic) social formations we made a statement about the "possibility-if not the inevitability -- of the elimination of capitalism in a nonrevolutionary way", implied in the aulitor's classification. This requires some clarification. If climinating capitalism by the working class is revolutionary-which it really is-then this has to be achieved only in a revolutionary way. Now "revolutionary way" does not necessarily mean violent or nonpeaceful way. The revolutionary way could consist of—and is generally expected to consist of-both 'peaceful' and 'non-peaceful' phases of the proletarian struggle over a protracted period depending on the empirically given historical situation at each phase. However, the way the struggle is conducted is revolutionary insofar as the necessary strategy and tactics correspond to the exigencies of the elimination of the rule of capital and its replacement by the rule of labour, which by definition, is revolutionary. In this connection Patel's statement criticisng the "advocacy of the objective of a revolution as the only possibility of changing fundamentally the relations of production" [1987:522] in what he calls the 'intermediate' countries we find rather baffling. Does not "a fundamental change in the relations of production" (in favour of the immediate producers) itself amount to a definition of (social) revolution (according to the materialist conception of history)? What else is a (social) revolution? Marx, indeed, equates 'social revolution' with the 'change of the economic base", that is, production relations, of a society [Marx 1958:13].

### Ш

Our assertion that Patel's 'intermediate' social formations are still capitalist and that his 'socialist' social formations have not transcended the bourgeois relations of production—given the separation-opposition of the conditions of labour to the labourer, the very 'concept of capital' according to Marx—were enough for him to con-

clude that according to us "world capitalism remained unchanged... all changes were merely juridical fetishism" [1987:822]. The sentence within quotation marks, we of course, never made (unless an impression to that effect was created due to our faulty use of the foreign language) and it is, we are afraid, a case of ignoratio elenchi (in the sense of formal logie) on Patel's part. Before we proceed further let us apply Patel's logic. to his own position. In his 'country coverage' the US figures as capitalist. From this if someone were to draw the inference that according to Patel the US capitalism had remained 'unchanged' for the last hundred years the author, justifiably, would be the first to deny this allegation. So, if we say that western Europe, for instance, remains capitalist, does it follow that thereby we are affirining the changelessness of this capitalism for the last hundred years? Following the same mode of thought Patel opines that "the central task now is to understand the reality as it has emerged since Marx wrote on the subject", the 'subject' being "capitalism as described by Marx in the nineteenth century" [1987:519; our emphasis]. Here we are in the presence of a basic question-the question that really differentiates our two positions-the question of method. Patel, unfortunately, does not clarify in what sense he is using the term 'reality' (any more than he makes precise such terms as 'capitalism' and 'socialism'). However, if we are not far wrong, it seems that he is using the term in the sense of empirical or phenomenal reality. Now it so happens that 'reality' in Marx has a deeper meaning: it is phenomenal and essential at the same time, but phenomena and essence do not coincide immediately. Knowledge cannot stop at the immediate with which 'common sense' is satisfied; one must go beyond the immediate—the phenomena and look for what is simultaneously hidden and expressed by phenomena-that is, essence. According to Marx the essence is not immediately given, it is the task of science to discover h. "The phenomenal forms reproduce themselves immediately and spontaneously as customary forms of thought (als ganz und gäbe Denkformen) but the essential relation must be discovered by science' [Mar., 1962:564], and "all science would be superfluous if the phenomenal forms and the essence coincided immediately" [Marx 1964:825].3 Precisely because of the non (immediate) coincidence of essence and its phenomenal forms capitalism as it figures in Marx's conceptual framework has not corresponded to the 'reality'--in the sense of empirical reality-of any capitalist country at any time (including the nineteenth century). It is well-known that the alleged 'non-applicability' of Marx's theoretical scheme to the empirically given social reality has been an important point of attack on Marx by many of his critics. An early critic along this line was, for example, Peter Struve who questioned specifically the validity of Marx's theory of realisation. The young

Lenin answered him in terms that have some relevance to our discussion: "Struve confuses the abstract theory of realisation with concrete historical conditions of realisation of capitalist production in some one country and some one epoch (v toi ili drugoi strane v tu ili druguiu epokhu)... What is the scientific value of the theory of realisation? It has exactly the same value as have all other postulates in Marx's abstract theory" [Lenin 1959: 68,80; our emphasis]. Once we accept reality as simultaneously essential and phenomenal what Marx writes about the mode of production in general seems equally applicable to the capitalist mode of production: "The same economic base can, through the influence of innumerable, different, empirical conditions.:. show infinite variations and gradations in its manifestation" [Marx 1964:800; our emphasis]. In other words, capitalism can show "infinite variations and gradations" in its forms of manifestation but still remain essentially capitalism if the "same economic base", that is, the same production relations continue to operate. These production relations are precisely the relations of separation-opposition of labour to the conditions of production. As long as the labourers themselves do not dominate the conditions of production the lafter, separated from them and confronting them, dominate them as capital (mediated by the "functionaries of capital"). In Marx's paraphrase of Ricardo "the immediate producers continue to be employed by the means of production instead of employing them". This is the essential reality of capitalism, invariant with respect to the changes in its forms of manifestation.

It is in this sense that, while fully acknowledging that there have been great changes in the course of history, in the forms of manifestation of capitalsm—for example, in the property forms, in the material forces of production, etc—in western Europe and in Russia, we, unlike Patel, consider that the essential reality of capitalism (as a specific social relation of production) continues to reign in western Europe and in the USSR though, as between them, again, the forms of manifestation of this essential reality are vastly different.

As a matter of fact, in our original piece we had devoted a fair amount of space to the discussion on the "significant changes in the juridical property relations in capitalism" in course of its development and had referred to the dogmatism of many scholars of Marxist persuasion who would continue to identify capitalist property with juridical 'private property' in capital and thereby fail to 'see' that the capitalist is basically a "functionary of capital" (Marx). not necessarily an individual owner of capital. Curiously, in his whole discussion, Patel has, by and large, avoided this question of changes in juridical forms of property within capitalism. Moreover, in the whole of the second sub-section, ostensibly devoted to showing the changes in the relations of production in capitalism

[1987:520-22], we have looked in vain for any concrete indication of changes, precisely in capitalist production relations, understood in the strict Marxian sense of commodity producing wage labourers' separation from the means of production, independently of the question of the specific forms of property over these means. Let us hasten to add that as regards forms of property over capital there have undoubtedly been very significant changes in parts of the world as a result of what Patel calls "wars of liberation and revolution". In those parts of the world the most significant changes so far relate to the basic destruction of precapitalist relations (with their corresponding forms of property). But insofar as the immediate producers themselves do not yet (collectively) dominate the conditions of production, temain separated from them and continue to be dominated by them (mediated by the functionaries of these conditions in the name of the producers) they, as producers of commodities, remain wage labourers, and the relations of production remain capitalist, the constitutional-juridical abolition of 'private property' in capital notwithstanding. Patel will pardon us for saying that instead of taking the "reality of the socialist revolution in Russia" [1987:519] as a theorem to be proved he has taken that as a postulate, as if it was a self-evident truth. Indeed, at the very start of his rejoinder Patel affirms that he is going to reply to "three issues" raised by us, one of which is precisely the "treatment of 'socialism' particularly with reference to the USSR" [1987:518]. In looking for a demonstration of the existence of socialism in the USSR in his discussion we, unfortunately, found an axiomatic approach to the subject and no demonstration at all. Nowhere, let us repeat, does Patel make precise the meaning(s) he gives to the central categories of 'capital(ism)1 and 'socialism'. We, on our part, had specifically used them in the sense of Marx. It one holds that the USSR (for example) is a 'socialist society' in the Marxian sense of the category one has to show, we submit, that the society in question is essentially a "society of free and associated producers" created by the self-emancipatory praxis of the producers themselves (the specific manifestational forms in specific historical circumstances assumed by socialism would not alter the essence of socialism understood as a genuine "Republic of Labour", to use Marx's alternative expression).4

Finally, we have no difficulty in accepting Patel's (finite) sequence  $\{c_n\}$  provided that it is considered as an n-element 'vector' C representing capitalism where the reciprocally non-identical elements  $c_i$  ( $i=1,2,\ldots,n$ ) are different phases not of transition from capitalism but of capitalism itself; where, for example,  $C_1$  and  $C_n$  are both phases of capitalism—given capitalism's essential reality—though, as between them, they are vastly different in their forms of manifestation and though  $C_n$ , its ultimate phase, unlike  $C_1$ , its initial phase, already creates

the basic material conditions for going ever to socialism, the first phase of communism.

### Notes

- 1 Numbers within the bracket along with the year mentioned preceding them refer to the EPW pagination together with the corresponding year.
- 2 Sometimes Patel uses the number 100 (1987:520), sometimes 200 (1987:22). The basic argument either way is, of course, not changed.
- 3 Commenting on Hegel's seemingly mystifying remark (in his Science of Logic) that "the truth of being is essence" Lenin observes that "the non-essential, the apparent, the superficial is not as 'solid', as 'firmly established' as the essence', and he proceeds to give the analogy of a river comparing 'phenomena' with "foam on top" and 'essence' with "profound currents underneath" adding that "the foam also is the expression of the current" [Lenin 1978:115-116].
- 4 "We were cleverly cheated We were told that we were the masters in our factory and we believed it . We thought, like slaves, that they 'above' knew everything, understood everything However, it was clear that we, the labour collectives, did not lead but were led." This statement, coming not from any 'dissident' but from a 'Hero of Socialist Labour' and member of the Supreme Soviet of the Russian Federation, published in Moscow News (March 22, 1987; our translation from the French version. Emphais added), is an eloquent testimony to the kind of 'socialism' the Soviet workers have been 'enjoying'. We my be permitted to add that the whole Soviet account of socialism in post-October Russia - which has been the basis of a positive belief in its existence even among many honest people in the outside

world-is now highly suspect in view of, among other things, the recent startling statement by the (non'dissident') director of the Institute of Historical Archives, Y Afanaseyev, that "all textbooks on the history of Soviet society are false" (cited in Washington Post of November 4, 1987 by its Moscow correspondent C Bohlen). One last point. As Patel's principal purpose was not to analyse the reality of what he calls 'socialist economies' but rather to analyse the 'reality' of the basically non-socialist' world, we shall not pursue here any further our discussion of the economic crisis appearing in these economies while simply emphasising that this crisis is systemie. We have gone into this question at some length with regard to the Soviet economy in a recent paper, 'Economics of Shortage or Specificity of Capital Accumulation? The Soviet Case: A Marxian Perspective', presented at the annual meeting of the Allied Social Science Associations in Chicago (December 28-30, 1987).

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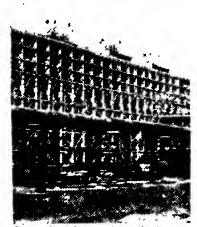
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**WANNIYARS' AGITATION**IN TAMIL NADU

**劉 CRISIS OF WESTERN SOCIAL SCIENCE** 

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IN SOVIET FOREIGN POLICY UNDER GORBACHEV

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### **ECONOMIC AND POLITICAL WEEKLY**

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CHERANA MICH LEVEL A. Mar.

### Development of Indian Capitalism

The Indian experience of development does not fit into the neat models put forward by a wide range of 'dependency theorists'. Nor has India been spectacular, either as a success like several east Asian countries or a disaster like many African and Latin American oncs. In the context of the historico-structural conditions what emerges is that Indian development so far has led to the reversing of most of the elements of a colonial or peripheral structure rather than leading to the country being turned into a neo-colony. The central contradiction in India today is capitalism and not imperialism, or feudalism and imperialism.

### 'Socialism in One Country'

Gorbachev's vision marks a drastic departure from the classical and revolutionary Marxist viewpoint. It is both an inadequate world-view and a deeply flawed guide to practice. The narrow, self-centredness of Soviet foreign policy is nowhere more vivid than in Gorbachev's final dismissal of the very need of an international.

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### Testing Time

The emergence of the vanniyars, famil Nadu's largest backward caste, as a powerful sociopolitical force in a state which has instituted a series of 'positive discriminatory' measures for over half a century poses a severe test to the revolutionary movement which has a better neass base among the harijans.

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### Price Rise and the Poor

The largest contribution to the price rise in the last ten months has come from wage goods, including cereals.

513

### Trading with Pakistan

Indo-Pak trade can be considerably expanded in the coming years if a serious attempt is made to identify the thousands of small items in which the two countries can trade with each other.

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### Cost of 'Dollar-Link'

The constant revisions required in the exchange rate in order to keep the rupec-dollar parity stable has meant that the external value of the rupee has suffered serious erosion against all the major currencies. This has had serious implications for import cost and domestic inflation.

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### **Uneasy Questions**

While behaviouralism claims to be merely scientific methodology, it really implies the microscopic paradigm. What this method achieves, then, is to circularly 'prove' deductions from the embedded theory.

526

### Non-Solution

Privatisation might be worth trying in a few cases as a means of shedding some unimportant or low priority activities. But as a solution to the 'public sector efficiency problem', it merely evades the issue.

554

### More Window Dressing

As long as the nation does not learn to protest, defence expenditure will continue to expand, and words and figures will continue to be so woven as to demonstrate to the neighbourhood innocents that retrogression is progress and across-the-border aggression is genteel peace-keeping. 501

### Gromyko Memoirs

The Gromyko memoirs confirm that the beginning of the Sino-Soviet feud dates from the Taiwan Straits crisis of 1958 and that the first hlow which China received was denial to it of the nuclear power status.

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### **Decay of Empress Mills**

THOUGH Anuradha and Ajit have discussed at some length the role played by the 'reasonable' and 'co-operative' RMSS in the affairs of Empress Mills (EPW, February 6) leading to its present predicament, their treatment of the entrepreneurship aspect of the entire scenario appears quite inadequate. As pointed out by them, this kind of a disaster could perhaps have been averted had the workforce been active and militant enough to force the erstwhile management to initiate cost-effective measures including the upgradation of technology in time. However it ought not to be forgotten that the capital involved and the entrepreneurship that handles and orients it have internal dynamics of their own depending on various historical factors. Though there is a hint that the surplus generated by Empress Mills, the mother company of Tatas, was diverted to Tisco, etc, by the time Tatas decided to call it a day in case of Empress Mills they had moved on to more alluring pastures which were waiting to be nurtured by foreign capital. While not altogether denying the possibility that militant trade unions can contribute to managerial efficiency of an industrial unit, one would like to emphasise that a more complete and politically meaningful understanding would be possible if we can link up the nature and growth process of the Tata business house with the growth, stagnation and eventual decay of Empress Mills. Also the growth process of the Tata House cannot be looked at as an isolated phenomenon and the analysis would be meaningful only if we situate it within the overall changes that the economy is being subjected to.

S M PAILL

Nagpur

### More Uneasy Questions

THIS is apropos Vasauth Kannabiran's letter to the editor (EPW, February 13). Since 1 might also be deemed as a 'bourgeois liberal', I feel emboldened to share a few of my thoughts through this anonymous note on some of the issues raised by the writer.

There are two ways, I think, in which a 'bourgeois liberal' might be sympathetic to the kind of movement in defence/furtherance of which government officials were abducted in East Godavari. One

would be from the confines of his/her class interest—because the purported aim of such a movement is to oust the continuing colonial and feudal subjugation which discomforts the 'liberal bourgeoisie'. However, given the logic of trade-off, such sympathy could dry up, especially if there is likelihood of any serious injury to one's immediate interest wrought by the movement, while the possibility of a reasonably comfortable existence is still not exhausted in the present society.

The other kind of sympathy would be where the 'bourgeois liberal' consciously stretches one's liberal concerns beyond one's class confines and thus recognises how even the basic tenets of 'justice, liberty, equality and fraternity' are hopelessly unattainable within the present society for a large majority of the people; that the only way they can aspire to enjoy these liberal conditions is in the process of their struggle towards ushering in a genuine and new democratic society without feudal or imperialist subjugation. In this event, the 'bourgeois liberal' would be sympathetic to the people's movement in actual pursuance of his/her liberal values (which is endowed to him/her by his/her social position) and not in furtherance of his/her social position alone.

One might have discordance with the course of the movement or the 'praxis' of its vanguard in the second case as well. But these are likely to be in light of the existence of a superior 'praxis' towards attaining the same goals of the movement; and accordingly will be aired with eare to further the interests of the movement. My main grievance with Vasanth Kannabiran's letter is that despite all her criticism of the practitioners of the movement, she omits to suggest any such superior 'praxis' which could make their struggle for a genuine and new democratic society any easier or less painful.

A READER

Ahmedabad

# Tariffs and Foreign Prices

1N Ranjit Sau's article 'Effect of Tariffs on Foreign Prices' (EPW, December 19, 1987) there appears to be a minor mathematical error. In maximising profit with reference to the rate of mark up (m) he arrives at equation 5:

$$1 + m = \frac{\{a + bc (1+t)\}}{2bc^2 (1+t)}$$
.

This should actually have been

$$1 + m = {a + bc (1+t)}$$
  
 $2 bc (1+t)$ 

Thus, his equations (6) and (7) should aetually be

$$P = \frac{a}{2b} + \frac{c}{2} + \frac{ct}{2} =$$

and 
$$P^* = \frac{a}{2b(1+t)} + \frac{c}{2}$$
.

This does not alter the conclusion of Sau's article since a rise in the tariff rate raises P but reduces P\*. It does, however, alter the telation between Prices and the exogenous variable, c; a rise in c would raise P and P\* as it should be. (This is not related to the question of the shape of the cost curve.) In Sau's original Equation (6) a rise in costs would have reduced domestic price.

DINKAR KHULLAR

limbassy of India, Rome.

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# Old Game in Punjab

It is difficult to imagine a more bizarre sequence of events. I The five Sikh priests, arrested at different points of the time on charges of sedition and now released in one of the typical twists and turns of the government of India's Punjab policy, arrive at the Golden Temple in Amritsar on March 4 to a public welcome by Sikh militants in the temple who fire AK-47 rifles in the air in jubilation and raise slogans in support of 'Khalistan'. The Punjab police and the centie's paramilitary forces, amassed in strength in the area, watch the scene without interfering. The episode confirms reports that the militants have re-established control-or have been allowed to re-establish control -- over the Golden Temple and that there are more arms inside the temple now than at any time since Operation Bluestar four years ago. And yet the government of India is said to have rejected requests from the Punjab administration to permit the security forces to enter the temple; in fact the tight security ring round the temple had been recently ordered to be withdrawn.

However, three days after the militants' display of firepower in the Golden Temple, in a statement in parliament on March 7 union home minister Buta Singh eharges the Akali members of the then suspended Punjab assembly with hampering the government's operations against the militants by interfering with the activities of the security forces and advances this as the reason for the government's decision to dissolve the assembly. The home minister also gives notice of the government's decision to amend the constitution to enable it to not only extend president's rule in Punjab but also declare a state of emergency in the state. The constitutional amendment for the latter purpose, the home minister clarifies, will apply only to the state of Punjab; in other words, the conditions justifying the declaration of a state of emergency are proposed to be made less stringent for Punjab than for the rest of the country. In terms of the existing provisions of the constitution, as amended by the 44th constitutional amendment in 1979, the declaration of a state of emergency is permissible if the security of the country or any part of it is threatened by "war, external aggression or armed rebellion". The purpose of the proposed constitutional amendment, expected to be introduced in parliament next week and passed without much ado, is presumably to make it possible for the centre to declare an emergency in Punjab whenever it chooses to do so without admitting the existence of a situation of 'armed rebellion' there.

But at the same time the air has been thick with talk of the centre preparing the ground for entering into negotiations with the militants. The suspicion is in fact quite widespread that behind the government's decision to release the five Sikh priests there is some undisclosed understanding about such talks. What is significant is that these moves should have come at a time when there has been a sharp upswing in violence and killings by the militants, encouraging the impression thereby that the militants have more or less forced the government to come to the negotiating table. At any rate there can be little doubt that these developments have very considerably boosted the militants' morale and prestige.

It is difficult to make sense of these obviously contradietory actions of the Congress government at the centre in Punjab except in the context of its own past record in Punjab itself and elsewhere, most recently in Tripura. This would not be the first time that while claiming to fight terrorism the Congress Party leadership has aided and abetted terrorism for its narrow political purposes. Indeed the very origins of the Puhjab problem are traceable to the Congress's efforts under the late Indira Gandhi to build up the late Bhindranwale as a counterforce to the Akali Dal in Punjab politics. The centre's latest actions, interestingly with a Bhindranwale kin as the Akal Takht head priest playing a leading role once again, appear to have been similarly directed towards foiling incipient moves by the Akali Dal(L) and the United Akali Dal to come together by releasing the head priest who had been appointed to the post by a militants-organised 'sarbat khalsa' in 1986, by handing over control of the Golden Temple to the militants and by dissolving the state assembly.

The Congress leadership is also looking beyond the immediate situation in Punjab. This is evident from the centre's decision to clear the decks for declaring emergency in Punjab. The prime minister and his party cannot have forgotten that the most potent factor in their overwhelming election victory in 1984 had been the invoking of the supposed threat to the country's security in the wake of the Indira Gandhi assassination. The Congress leadership tried the same ploy on a smaller scale last year on the eve of the Haryana assembly elections by dismissing the Barnala ministry and imposing president's rule in Punjab. With a general election having to be faced sometime over the next twenty months or so, the importance of keeping the option open of appealing to Hindu sentiment by taking some seemingly drastic action in Punjab cannot have been lost on the prime minister and his advisers. Hence the need to rush through parliament the constitutional amendment to facilitate the declaration of emergency in Punjab at a politically opportune moment.

It is pointless, therefore, to debate whether or not it is the right policy for the government to negotiate with the militants or whether or not the government really needs to declare emergency in Punjab when it afready has sweeping powers under the numerous anti-terrorist laws. What is necessary is to question the very bona fides of the government: to be clear that whether it deals for the moment with the Akalis or with the militants or whether a few months later it mounts a seemingly ruthless crack down on the terrorists after declaring a state of emergency, the ruling leadership of the Congress Party will be concerned with promoting us own political interests, not dealing with the actual problem in Punjab and that its affected concern for the security and integrity of the country will be pure sham.

THE BUDGET

# Poaching in States' Sphere

ISN'T our preoceupation with the overall deficit as distinct from the deficit on revenue account of the centre somewhat misplaced? Between the revised estimates for 1987-88 and the budget estimates for 1988-89 while the deficit on revenue account goes up by Rs 1,345 crore to Rs 9,842 crore, the overall deficit goes up by Rs 1,404 crore to Rs 7,484 crore. Thus the quantum of increase in the two deficits is more or less the same, but it cannot go unmoticed that the revenue account deficit in both the years is higher than the overall deficit by 30 to 40 per cent.

Now the revenue account deficit reflects the failure of the government to raise adequate funds in the form of revenues, tax and non-tax, which do not entail financial liability for the future. Where a part or the whole of the revenue account deficit is met through capital receipts it clearly means that the government is meeting its current account expenditures out of funds the raising of which creates habilities for the future. In the case of the budget for 1988-89 the proposal is to cover a little over 30 per cent of the revenue account deficit out of capital account receipts; the balance is left uncovered and will evidently be met by resort to deficit financing, which itself is often equated to a sort of tax, the difference being that for moneys raised through taxation the government is aware on whose shoulders it is imposing the burden whereas the locus of the burden of deficit financing is generally unknown except in the very broad sense. And since the burden of deficit financing is invariably felt through a general price rise, the government has to prepare itself for all that possibly follows in the wake of general price rise, which is why resort to deficit financing is oftentimes looked upon with disfavour except in circumstances where macro-economic considerations warrant it. Surely those considerations cannot be said to prevail at this point of time when price rise has already hit the double-digit frontier and the economy is still struggling to cope with the situation created by the widespread

Why the finance minister still chose to leave uncovered such a large deficit is a question that is exercising many minds. But the question that ought to be asked first is why he had to create a revenue account deficit of record magnitude, a deficit to which he himself contributed, partly at least, by various tax concessions and new schemes of spending. Many are prone to read political motives into it and they may well be right. But what ought not to be overlooked is also that the Ninth Finance Commission is in session now. It is a hody whose terms of reference have been so drawn up that if they are followed in letter and spirit the states would have to rest content with a devolution

smaller than in the past. This is likely to be so because the Finance Commission has been asked in no uncertain terms to make sure that the centre's commitments, be they on defence, security, debt servicing or anything else, have to be protected. But the finance minister is evidently not taking any chances. By showing a huge revenue account deficit it is intended to establish how difficult it is for the centre to part with funas for transfer to the states and, at the same time. meet its own commitments. The arithmetic is simple. Out of total revenue account receipts of Rs 42,708 crore in 1988-89, the centre has to set aside as much as 66 per cent or so for defence, subsidies and debt servicing. Then to meet its own other commitments as well as to effect sizeable revenue account transfers to the states, it has no option but to indulge in deficit financing.

The flaw in this logic is that it overlooks the fact that the bulk of the centre's so-called other liabilities are in areas and on matters where it has no business to be involved. Karnataka chief minister Rainakrishna Hegde is only being polite when he takes pride that the finance minister at the centre is trying to do things which Karnataka was implementing already. The basic point he is really making is that the states should be left to do things that fall within their beat. But what if the centre wants to run the whole country from Delhi?

### **TAXATION**

### At the States' Expense

IN the words of the finance minister himself, the case for raising the standard deduction rests on the argument that the fixed income groups needed some relief. Hence his proposal to raise the deduction from 30 to 33.33 per cent of salary income and the deduction ceiling from Rs 10,000 to Rs 12,000. By this single measure, says the finance minister, a million tax payers will stand to benefit.

Though the finance minister does not claim more for this particular tax measure, the table his ministry has put out is clearly intended to show that the measure is extremely progressive, relieving lower incomes of higher proportions of tax compared to higher incomes. In fact the table put out by the linance ministry is extremely misleading. But it must be conceded that it is very cleverly constructed. If column VII of the table shows 'tax relief as percentage of tax in column IV', column VI works out the absolute amount of relief each category of income will enjoy as a consequence of the upward revision of the standard deduction. And column VI clearly shows that while a salary income of Rs 27,000 will get a relief of Rs 225, a salary income of Rs 2,00,000 will get a relief of Rs 1,000, i e, four times as large.

Why do we grudge the latter a relief of a mere I.3 per cent, some could be tempted

to ask. But the fact is that it is the same group which has benefited not only from the sharp reduction in marginal rates of income tax in recent years but also from the enormous increases in emoluments in the public as well as private sectors, thanks in the former case to the award of the Fourth Pay Commission. The same group of people who could persuade the Political bosses to interpret the Pay Commission's award to their fullest advantage have succeeded once again in persuading the finance minister to make one small departure from the otherwise 'stable direct tax regime' to raise the standard deduction. The answer to the question raised at the start of this paragraph can be best given in the form of another question: Why did the finance minister have to give away Rs 1,000 additionally to a tax payer who has already been so much the beneficiary of the government's generosity in recent years?

The cynic may answer the question somewhat differently. Not that it greatly matters to a person drawing a net income of Rs 1,25,000 or so whether he gets an additional Rs 1,000, but the finance minister was thereby making a statement: 'you can expect to gain even more from us'. After all what was it costing the central exchequer to raise the standard deduction? Revenue from income tax goes virtually entirely (85 per cent, to be precise) to the states. The finance minister is much more careful with what belongs exclusively to the centre. The surcharge on income tax and wealth tax imposed to cover the drought has been continued even though the whole budget exercise is based on the bold assumption of a normal erop year. But then surcharges are not shareable with the states.

### **POLITICS**

### **Political Face-Cream**

THE merger of the Lok Dal(A) with the Janata is likely to be followed by similar unification of a number of opposition political parties in the Hindi heartland—a sign of the preparations in the opposition camp for the general elections, whenever they are held. Maneka Gandhi's Sanjay Vichar Manch has already announced its decision to formally merge with the Janata Party. Janata Party leaders, George Fernandes and Biju Patnaik, are negotiating with the Lok Dal(B) chief minister of Haryana, Devi Lal for a possible merger of the latter with the Janata Party.

Meanwhile, the V P Singh-led Jan Morcha is also moving towards the concept of a single opposition party, and has started talks with the Janata Party, the Lok Dal(B) and the Congress(S). In all likelihood, the electorate will find on the eve of, the next elections a unified Janata-type opposition party contending for power at the centre.

There are however several snags. The com-

pulsions that are leading these parties to come together on a single platform might turn out to be an extremely temporary nature. Just as the death of Charan Singh deprived the Lok Dat of a leader of a national stature and led to its split, Karpuri Thakur's death has dealt a blow to Lok Dal(B) which with a regional satrap like Devi Lat as its leader may soon find itself shrunk into a local political faction without any leverage on the national scene. This might well compel Devi Lal to join the Janata. As for the Janata Party, although Chandra Shekhar has named Ajit Singh of the Lok Dal(A) as the president of the unified party, veterans with a popular base like Ramakrishna Hegde or Bijn Patnaik may not accept the imposition of a young outsider as their leader. If more parties and groups join the Janata Party, their leaders will have to be satisfied with important berths in the new unified party. Knowing the craze for positions of these power-hungry politicians one can well imagine the scramble that will follow even before the new party can emerge into a viable alternative force.

Besides, we should not identify a Hindi belt based conglomeration of regional parties as a national party. The new party can at best reflect electoral agreements among the various factions only in central and parts of western and northern India. To be able to ehallenge the Congress(I) effectively at the centre, it will have to come to an understanding with the various regional parties in the south and the north, as well as with the left in the east (although the CPI(M) strength has been considerably reduced there with the fall of the Left Front government in Tripura). After the elections are over and if the Congress(I) is reduced to a minority paving the way for the emergence of an alternative at the centre, these regional parties are sure to demand then pound of flesh, even if the left decides to stay back from the ministry and support it from outside. Leaders suffering from political megalomania like NTR of Andhra Pradesh or Devi Lal of Haryana may indulge in the same unseemly battle of egos which marked the relations between Morarji Desai and Charan Singh and brought down the Janata regime.

Even if the new party manages to keep the BJP outside (which seems unlikely judging by the parleys going on between Lok Dal(B) and the BJP and V P Singh's conciliatory tone towards it), the Hindu communal forces (along with their Islamic counterparts) can create enough mischief to scuttle any secular policies that the opposition might adopt.

It is essential therefore that a new party should be knocked together not merely on the basis of a short-term electoral strategy of 'Rajiv hatao', but on a broad agreement on the basic soclo-economic issues and a firm programme for a future coalition government. To prevent a repetition of the irresponsible behaviour of the components of the previous Janata coalition, it is

necessary to evolve certain structural safeguards in the constitution of such a unified party. A loose and hurried alliance like the Janata may reflect the popular desperate mood for a change of leadership at the centre, but in the absence of a concrete alternative programme it is bound to turn out into yet another political face-cream to come off in strips in no time.

# FINANCE COMMISSION Beginning on a False

SO the Ninth Finance Commission has allowed itself to be used. Parliament has been informed that as advised by the commission the government sees no need for modifying its terms of reference. Congress chief ministers, it will be recalled, had presented to the prime minister an alternative set of terms of reference for the Finance Commission sometime back, It was the impression of the chief ministers who met him at the time that the prime minister was not articularly receptive to the idea of modifying the original terms. Nor did he concede that there was anything basically wrong with them. But he did promise to consult with the Finance Commission itself, a move that was far from being, in order.

First, as the appointing authority, it is the president who, under Article 280, may refer to the Finance Commission any matter in addition to the matters of tax sharing and grants-in-aid "in the interests of sound finance". Secondly, by making the commission a party to the formulation (or modification) of its terms of reference, the government was seriously compromising the commission's objectivity in deciding upon how to give effect to its terms of reference. How can the commission take on the role of being both the formulator and the executor of its terms of reference?

Evidently, the Ninth Finance Commission did not take exception to the non-Congress chief ministers' representation being referred to it. It entertained the centre's reference on the subject and gave its verdict which the minister of state for finance duly conveyed to parliament. But did it not behove the Finance Commission to invite the views of the states, Congress as well as non-Congress, on the subject and of men in public life before arriving at its verdict? Should not the whole verdict have been made known with full explanations? These questions are significant in themselves. More importantly, the manner in which the Ninth Finance Commission has gone about its task so far-and this includes entertaining the reference from the prime ministers on the subject of its own terms of reference (or was the reference made by the president?)-raises serious questions about its fairness, objectivity and sense of propriety.

Here is a semi-judicial body, with a clear constitutional mandate behind it, but whose chairman seems to see no contradiction in continuing in his activist, partisan role in the day-to-day politics of the country, who goes on asserting a role for the commission which it was never supposed to play—witness his very first public statement regarding control of black money. No wonder the commission sees nothing wrong in entertaining references to it which it has absolutely no business to entertain. Can the states hope to get justice from such a body when it gives in so easily under pressure?

# HUMAN RIGHTS Not at Home

TO promote hypocrisy seems to be one of the unwritten goals of the preamble of our Constitution judging by the painful endeavours made in that direction by Indian diplomats abroad. A splendid example is the speech delivered by the Indian permanent representative at the 42nd session of the UN General Assembly when on November 25 last year it took up for discussion the report of the Economic and Social Council which referred among other things to the violation of human rights and fundamental freedoms around the world.

Surely, everyone would agree with the honourable representative's suggestion that to stop violations of human rights "as a first step, there is need for universal acceptance, through ratifications and accessions, of appropriate international instruments and their strict implementation without political consideration". The representative however quite conveniently forgot to add his own government's lapses in this respect. India has refused to ratify one important provision of the International Covenant of Civil and Political Rights which allows non-official organisations (e.g., human rights groups) to supervise and monitor the implementation of the international covenant-a necessary safeguard against the usual bureaucratic indifference. Even when the Indian government ratifies any international convention, through its repressive apparatus it does its best to see to it that it is not implemented. Thus, while India is a signatory to the ILO convention guaranteeing the rural landless the right to form associations, the police are there to suppress any assertion of such right as is evident from the recent happenings in Bihar, Andhra Pradesh and other areas. Flying in face of such brazen facts, the Indian delegate had the temerity to claim at the international forum that India was implementing the "principles and purposes of the International Covenants of Civil and Political Rights, and the Universal Declaration of Human Rights".

Another gem from the honourable delegate's speech: "The practice of dis-

appearances continues to cause untold suffering in many-parts of the world". Quite predictably, he forgets to mentlon that India is one such 'part of the world'. The 'disappearances' of young people in Punjab, of tribal villagers in Andhra Pradesh, of men and women in Nagaland, who fail to reappear once they are taken into custody by the police or the military, cause the same 'untold suffering' which people suffer in South Africa or under the Latin American military regimes.

Shedding tears on racism in South Africa-and refusing to take effective measures against it -has become a regular ritual at international gatherings of government representatives. The UN meeting referred to above was no exception as is evident from the Indian delegate's attack on apartheid in South Africa, describing it as a "system of institutionalised racial segregation and domination". He must have won kudos from the members of the assembly for India's staunch offensive against racism. But what about India's own 'system of institutionalised casteist and communal segregation and domination' which results in the killings of 'dalits' and Mushous, in the growing aggressiveness of Hindu religious fanatics under the blessings of the official institutions?

Civil libertics organisations—both Indian and international—have revealed enough to expose India's record in the area of human rights. Arwal, Adilabad, Hashimpura, Meernt—the list reads like a demon's diary of ever-increasing measures which are inscrewing every nut and bolt of whatever little constitutional safeguards we enjoyed all these years

## south Africa Academic Exercises

LATE last month, only a week before the two parliamentary by-elections, the South African government clamped down on 17 black organisations. According to the new regulations, political groups which are now prohibited from all activities include the country's largest black trade union federation, the Congress of South African Trade Unions (COSATU) with a combined membership of 7,00,000 black workers. The main target appears to be the United Democratic Front (UDF) which is only about four years old. The UDF, a multiracial group, was formed to oppose South Africa's new constitution which while allowing Indians and coloureds into parliament, continued to bar the blacks. This is the first time since 1977, when following the Soweto riots many groups were banned, that the government has taken such a severe action.

The crackdown is being seen as a move by the National Party (NP) to improve its parliamentary position. The Party's standing is being eroded by two factors: from the right-wing Conservatives on the one hand who are opposed to even the perfunctory measures that the ruling party has instituted supposedly towards dismantling apartheid, and on the other the threat of a black boycott of the elections. The banning of 17 black opposition parties is, therefore, one attempt to woo Conservative, especially Afrikaner votes. The party is after all kept in power by a combination of support from middle-class 'better-educated' urban Afrikaners and a small proportion of the 'English-speaking' population. But increasingly, the Conservatives have been making heavy inroads into the National Party's vote banks.

With Conservative victories in both the Transvaal constituencies, this particular move does not seem to have succeeded in obtaining gains for the NP. However, there is some indication that the winning votes for the Conservatives have come not so much from the National Party but from the far-

ther right Afrikaner Party. Thus obviousty, there is reason to believe that the National Party can gain more by seeking greater support from the English-speaking population. This would however, mean that it cannot abandon the reform measures that it had begun to implement. On the other hand, the anti-apartheid movement has broadened and deepened its focus in the recent past. The African National Congress has rightly pointed out in a statement issued in Zambia that the ban orders are a clear admission of that the government's 'draconian measures' under the state of emergency have failed to quell the movement.

In the meanwhile, it is now clear that sanctions against South Africa are little more than academic exercises. Moreover, according to a recent UN panel report, the arms embargo enforced against the country by the Security Council 10 years ago has hardly been enforced by concerned governments. South Africa continue to receive large quantities of sophisticated military equipment.

#### **BUSINESS**

**EDIBLE OILS** 

#### **Futility of Buffer Stock**

TALKING to a cross-section of knowledgeable persons in the oilseeds trade and industry one gets the strong impression that, for the first time ever, rabi oilseeds production will exceed kharif production. It is not only because of the sharp setback this season in kharif production owing to the partial failure of the major groundnut crop because of the severe drought in Gujarat. Rabi oilseeds production is expected to be an all-time record. The rape/mustard seed crop-the second largest oilseeds crop-is now placed at anywhere between 30 lakh and 38 lakh tonnes which is exclusive of the toria crop of 4-5 lakh tonnes. Estimates of summer groundnut crop range between 15 lakh and 18 lakh tonnes. The safflower (kardi) crop is placed around 5 lakh tonnes. There are not a few who think that the increase in rabi output may well offset the decline in kharif production and that the aggregate production of the officially reckoned nine oilseeds in 1987-88 may turn out to be about the same as in 1986-87-114.5 lakh tonnes.

The increase in rabi oilseeds production is attributed both to increase in the area sown and good-to-ideal weather conditions throughout in all the major producing areas. The technology mission on oilseeds can contend that while weather has no doubt been a crucial element, its four-pronged strategy aimed at a big thrust to oilseeds production has begun to yield the desired result and that the significant increase in rabi production holds out the hope that, given normal

weather conditions during the kharif season, one could look forward to substantial increase in oilsceds production.

Expectations of record rabi oilseeds production, plan to import a record 21 lakh tonnes of edible oils in the current oil year (November-October), massive allocation of imported oils to the vanaspati industry as also under the public distribution system (PDS), sale of imported oils on tap at specified prices (crude at Rs 18,000 a tonne and refined oil at Rs 19,000 a tonne) and enforcement of stricter discipline on the trade—all these have made a profound impact on the general market psychology. Edible oil prices have of late been displaying a distinctly subdued tendency and have come down by 22 to 40 per cent (depending on the oil) from their last season's all-time highs registered about the middle of August. However, compared with the prices which prevailed a year ago, vegetable oils, excepting sesame and kardi oils, are still quoted 4 to 8 per cent higher.

Far from being a matter of concern, the decline in edible oil prices needs to be welcomed as it provides some succour to the hapless consumer. There is little chance of edible oil prices falling to levels which would affect the growers' interests adversely. There is no getting away from the harsh fact that domestic supply continues to lag far behind the country's growing needs. Even on a most optimistic reckoning oilseeds production this season (1987-88), the third year of the Seventh Plan, is certain to be substantially lower than the record production of 129.5 lakh tonnes in the last year of the Sixth Plan.

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It would seem wishful to think that in the next two years production can be stepped up to 180 lakh tonnes, the target set for 1989-90. The government's tentative plan to import a record 21 lakh tonnes of edible oils this season is a measure of its assessment of the gap between domestic supply and demand.

The proposals pertaining to the vegetable oils sector of the economy outlined in Tiwari's budget for 1988-89 are in the nature of "follow-up of the measures taken in the last two years" which had produced "encouraging results". The budget for 1987-88 presented by Rajiv Gandhi had sought to strengthen the policy initiative taken by exfinance minister V P Singh in his budget for 1986-87 which aimed at augmenting domestic supply through fuller exploitation of the existing oil bearing resources by offering excise duty rebate to vanaspati and soap industries linked to larger use of minor and non-traditional oils. The latest budget proposals oullined by Tiwari include total exemption from excise duty in respect of refined safflower oil, increase in the rebate for solvent extracted cottonseed oil from Rs 3,250 to Rs 4,000 per tonne and rebate of Rs 3,250 per tonne for use of indigenous pairs oil, solvent extracted sunflower and safflower oils in the manufacture of vanaspati. The rebate for the use of rice bran oil in the manufacture of soaps has been increased from Rs 320 to Rs 640 a tonne.

The system of excise rebate allowed to vanaspati and soap industries for using minor and non-traditional oils can at best produce only a limited impact on augmenting supply from this source. This is because the existing supply already exceeds the total quantum of notified oils under the existing fiscal dispensation. The excise rebate in respect of edible rice bran oil, mahuva oil and watermelon seed oil has been kept unchanged at Rs 6,500 a tonne. The vanaspati industry will require no more than 1,38,000 tonnes of these oils to avail of the maximum permissible excise relief of Rs 1,000 a tonne. The supply of edible grade rice bran alone is estimated to exceed 1.25 lakh tonnes during the fiscal 1987-88. The scope for using solvent extracted oils which qualify for smaller rebates is almost negligible. If the government is earnest about increasing the production of minor and non-traditional oils through the system of excise relief, it should either reduce the quantum of excise rebate and make it uniform for all the oils and/or increase the maximum permissible limit of excise relief for the vanaspati industry from the existing level of Rs 1,000 per tonne.

The rationale behind the system of excise rebate is that the relief will induce vanaspati and soap manufacturers to pay correspondingly higher prices for the permissible minor and solvent extracted oils and that the higher prices will lead to increased production of these oils. Actual experience, however, does not support this thesis. The benefit of excise rebate has seldom been adequately

reflected in oil prices. Offer of requisite direct assistance to producers of oil linked to increased quantity of oil produced would be a far more effective way of achieving the much-needed increase in production. In the case of minor oils, the major problem is that of seed collection. This calls for improvement in the basic infrastructural facilities. In view of the continuing acute shortage of vegetable oils in the country, the marketing of minor oilseeds at remunerative prices should pose no problem. The crushing/ extraction industry would be only too willing to buy all the available minor seeds since it is nursing huge idle capacity.

It is interesting to note that despite the various fiscal measures taken to encourage the production of minor, non-traditional and solvent extracted oils and the numerous pronouncements by the technology mission on oilseeds for an early breakthrough in oilseeds production, edible oil imports have been on the increase. The country imported nearly 16 lakli tonnes of oil in 1986-87 and the government intends to import about 21 lakh tonnes during the current oil year. There has been no "cut down on imports of vegetable oils" as mentioned in the finance minister's budget speech.

What is one to make of the report that a blueprint for building up a buffer stock of edible oils and oilseeds on the lines of wheat is expected to be finalised shortly. Sam Pitroda, advisor to the prime minister on the technology mission and P V Shenai, additional secretary in the union ministry of agriculture, are reported to have stated that the report of the working group set up to suggest detailed operational plans of the proposed buffer stock was being awaited. The working group has been specifically asked to suggest the size of the buffer stock, the inethod of intervention for achieving stability in oil prices and the agency which could operate the buffer stock.

It should be quite obvious that it is simply not possible to build a buffer stock out of indigenous supply which falls far short of domestic needs, necessitating massive imports of edible oils year after year. Imported oils have come to constitute an important element in the aggregate supply of edible oils/fats—the percentage varying from 25 to. 31. The annual average for the past seven years works out to around 28.4 per cent. The government has full command over this supply as imports are canalised through the State Trading Corporation. Where then is the need for building up a buffer stock? All that the government needs to do is to evolve an appropriate strategy for the marketing of imported oils which can be acquired at any time from the international market. Why run the risk of deterioration in the quality of edible oil by building up a buffer stock? That with full control over massive supply of imported oil the government should not be able to make the desired impact on the market reflects poorly on its management of resources.

#### TWENTY YEARS AGO

EPW. March 16, 1968

The United States and the Soviet Union gave another push to the nuclear nonproliferation treaty when last week in Geneva they, along with the United Kingdom, presented a joint draft of a UN Security Council resolution pledging to go to the aid of any non-nuclear signatory faced with a nuclear threat. With this the big powers hope to eliminate a major obstacle in the treaty's way, viz, non-nuclear countries' fear of nuclear attack or blackmail ... By offering to provide a guarantee to nonnuclear nations, the big two have also indirectly proclaimed that they intend to retain indefinitely their edge over other powers in nuclear capability. For how can they make their power available to others if their nuclear superiority is to be eroded by 'verticle' non-proliferation? That this makes nonsense of the declaration of the need for general and partial disarmament in the draft treaty cannot worry the big powers very much.

It may be interesting to speculate how difficult the Budapest Conference would have been for the Soviet Union if the Rumanians had not decided to walk out of it. Whoever might have created the conditions for the Rumanians to withdraw, Suslov must have heaved a sigh of relief when they left. After their exit things moved smoothly for him... The Soviet Union can congratulate itself on achieving what has been its major objective in inter-communist politics for sometime the convening of a world communist summit in Moscow in order to proclaim that there still exists a mainstream of the movement, that it is largely controlled and guided by the Soviet Union and that the dissidents will either get back to the mainstream or lose their significance as communists.

The chances of the impasse created by the adjournment of the Punjab assembly for two months by the speaker being resolved through a political compromise have definitely receded. At one time it did appear possible that a bargain might be struck between chief minister Gill and the speaker with the latter agreeing to convene the assembly in return for an undertaking that the move to remove him from the speakership would be dropped for good. But now events seem to be moving towards intervention by the governor... Whatever the method adopted to resolve the constitutional crisis the next few months are likely 10 see some realignments in Punjab polítics. One possibility is rapprochement between the Sant group in the Akali Dal and the Congress, feelers for which are believed to have been put out by some Akali leaders. This may even pave the way for an all-

Congress ministry in the state.

#### **STATISTICS**

SIALISTICS		·							
						tion (per c	en ()		
Index Numbers of Wholesale Pa	rices	Latest	Over	Over	Over				
(1970-71 = 100)	Weight	Week	1.ast	Last	March	ln	In	1n	In
		(20-2-88)	Month	Year	28, 1987	86-87++	185-86 * *	84-85	83-84
All Commodities	1000	414.6	- 0.2	10.1	9.6	4.8	5.8	7.1	9.5
Primary Articles	417	391.5		139	12.8	5.7	2.1	4.8	11.0
Food Articles	298	373.9	0.5	11.3	9.5	7.2	7.9	6.4	13.5
Non-food Articles	106	402.1	- 1.3	25.0	25.7	6.7	- 10.3	- 2.3	15.1
Fuel, Power, Light and Lubricants	85	664.9	0.3	6.5	6.2	6.7	11.9	2.6	7.6
Manufactured Products	499	391.4	- 0.5	8.2	8.0 Varia	4.7	7.2	.6.0	8.7
0 . 4**		•				tion (reer	cent)		
Cost of Living Index		Latest	Over	Over	Over			_	_
	Base	Month	Last	Last	March	ً 1 n 86-د	ln ve oc	In 04.06	In
			Month	Year	1987	0' 3-8 /	85.86	84-85	83-84
For Industrial Workers	1960 - 100	752 <sup>12</sup>	- 0.4	9.3	9.6.	8.7	6.5	6.4	12.6
For Urban Non-Manual Employees	1984-85 = 100	12811	<del>-</del>	9.4	9.4	7.3	7.9	8.1	10.3
For Agricultural Labourers	July 60 to	654 <sup>12</sup>	0.2	13.0	14.1	4.8	4.8	0.2	11.4
	June 61 = 100	)							
						(per cent i	n brackets)		
Money and Banking		1.atest	Over	Over	Over			_	
·	Unit	Week	Last	Last	Marci,	In .	ln ac ac t t	ln 04.05	ln
		(12 2-1988)	Month	Year	27, 1987	86-87 * 1	85-86 * *	84-85	83-84
Money Supply (M <sub>1</sub> )	Rs crore	1,60,774	585	22,660	20 ,141	21,627	14,423	16,058	13,031
3.			( ~ 0.4)	(16.4)	('14.3)	(18.3)	(13.9)	(18.7)	(17.9)
Net Bank Credit to Government Secto			583	13,296	1.2,301	12,822	6,555	8,445	3,757
Bank Credit to Commercial Sector	Rs crore		132	10,493	8,576	10,576	10,963	10,809	8,830
Net Foreign Exch Assets of Banking			- 342	239	- 374	1,251	13	1,419	-104
Deposit of Scheduled Commercial Ba	nks Rs crore	1,17,203	- 1,136	16,348	14.459	16,723	13,160	11,519	8,550
	_		(-10)	(16.2)	(14.1)	(19.6)	(18.2)	(19.0)	(16.4)
Foreign Exchange Assets**	Rs crore	6,193	- 484	867	- 1,425	604	197	1,319	1,233
Total and Name 1 and 1 and 1	417 * 1	1 4 1	A			(8.6)	(0.8)	(24.0)	(28.9)
Index Numbers of Industrial	Weights		Avera; Mon			V:	ntion (		
Production		Month	:VIOII		- In	<u>. vari</u>	ation (per		
11.11/1 1/1//			1986	1004	1986 ' †	În 1985++	In 1084	In 1983	1n 1982
		10		1985		1705	1984		
General Index	100.00	222.0 <sup>10</sup>	217.5	204.4	6.1	6.4	6.6	4.2	4.5
Basic Industries	33.23	288.710	272.6	250.9	7.7	8.7	10.8	5.5	8.0
Capital Goods Industries	14.98	235.1 <sup>10</sup> 187.1 <sup>10</sup>	231.0	224.1	2.4	3.1	6.6	5.3	-0.9
Intermediate Goods Industries	21.33	187.110 174.4 <sup>10</sup>	187.7 173.1	179.2	6.0	4.7	6.1	6.8	1.9
Consumer Goods Industries	30.46 3.81	303.110	286.7	161.9 246.3	5.3	6.9 17.4	2.6 17.8	0.6	5.8
Durable Goods Non-Durable Goods	26.65	156.0 <sup>10</sup>	286.7 156.9	246.3 150.1	14.0 3.4	4.5	17.8 0.2	1.0 0.5	3.6 6.5
					3.4	٠.٠	U.2	0.5	ر.ن
Foreign Trade	Unit	Latest	Cu mula	ive for*					
		Month	10.07.00	100/ 07	1007.05	1004.01	1004 00	1002 04	1002 02
		(Dec 87)	1987-88		1986-87	1985-86	1984-85	1983-84	1982-83
Exports	Rs crore	1,234	11,197	9,076	12,550	11,012	11,855	9,872	8,908
	_				(14.0)		(20.0)	(10.8)	(14.2)
Imports	Rs crore	1,886	16,111	14,189	20,063			15,763	14,356
	_				(1.5)	(15.1)	(8.9)	(9.8)	(5.0)
Balance of Trade	Rs crore	- 652	-4,914	- 5,113	- 7,513	- 8,754	-5,318	- 5,891	5,448
<b>Employment Exchange Statistic</b>	es Unit	Lates,	Cumula	tive for*					
		Month							
		(July 87)	1987	1986	1986	1985	1984	1983	1982
Number of Applicants on Live Regist	ers Thousan	d 27,259	27,259	28,442	30,131	26,270	24,861	23,034	19,753
(as at end of period)		,,			(10.9)		(7.9)	(16.6)	(10.7)
Number of Registrations	Thousan	d 335	3;091	3,17t)	5,473	5,824	6,220	6,756	5,862
			,		(-6.0)		(-8.0)	(15.3)	(-6.6)
Number of Vacancies Notified	Thousan	d 56	373	354	616	683	707	827	820
					( -10.0)	(-3.4)	(-15.5)	(0.9)	(- 8.4)
Number of Placements	Thousan	d 35	215	216	356	388	407	486	474
			•		(-8.2)	( -4.7)	(-16.3)	(2.5)	(-6.1)
Income	Uniz	1986-87	1985-86++	1984-85%	1983-844	1982-83	1981-82	1980-81	1979-80
Gross Domestic Product (current pric		e 2,60,584		1,90,888	1,72,704		1,30,770	1,22,226	95,358
					39,341 7£4	33,008			
Gross Domestic Product (1980-81 prices) Per Capita Income (1980-81 prices)	ces) Rs croi		1,56,083 2,72i	61,838 775	59,541 764	55,068 721	53,470 720	1,22,226 1,627	47,191 664

<sup>\*</sup> For current year upto latest month for which data are available and for corresponding period of last year.

\*\* Excluding gold and SDRs.

+ Upto latest month for which data are available.

+ Provisional data

@ Relate to 1970-71 prices.

Notes:

(1) Superscript numeral denotes mornth to which figure relates, e.g., superscript indicates that the figure is for January and so on.

(2) Figures in brackets denote perecentage variation over previous period.

## Calcutta Diary

AM

The institutions are there, but they have reduced themselves to irrelevance. The Monopolies and Restrictive Trade Practices Commission these days concerns itself with the grave issue of distribution of fake degrees. The opposition similarly is there, but it has rendered itself irrelevant. An emboldened government will therefore increasingly take the lawless road.

ANOTHER ecoriomic survey, another budget. Window-dressing with words, window-dressing of figures. The usual comments by eco-nomists and financial experts, conventionally so described. The usual discussions will duly take place in parliament, ir uch in the manner of eanned music. We have been here before, we will continue to return here. Each one sticks, for dear life, to play the role assigned to him or her. Not that accidents do not occur now and then. All of a sudden, a Shankar Dayal Sharma breaks ranks and offers to resign. What stirred inside his mind or physique will, for a while, form the staple of speculation. The essential point however is still being missed. The vice-president merely offered to quit, he finally collected himself and had the good sense not to translate his threat into action. He thereby vindicated the system. This is t'ne land of profound bindings: occasionally you are permitted to sow your wild oats, occasionally you are perntitted to lapse, but you never lose your Hindu soul, even as the cows come home, you return to where you belong.

The estimates in the budget and the excruciating pressures the economy is being subjected to are related as much to the gory earnival in Punjab as to the expansionary ambitions of our humble great Peace Reeping Force in Sri Lanka. Our high commissioner in Sri Lanka has showed his fangs: peace will not be allowed to break out in that island, the people of the island, the Tamils and the Sinhalese, cannot reach any private deals unless these are in conformity with our pan-imperial goals. Few amongst our political parties or their representatives in parliament will dare to draw attention to the causality existing between events and events, even if such parties are labelled as the opposition and are at the moment busy organising a nation-wide strike to protest against the government's alleged venality and incompetence. There is a code of behaviour whose transgression Hindu religious formalism will frown upon. You have created a mess within; to eover up for that, create a mess across the Straits of Palk, the cost to the nation is no consideration. A theory is at work. Never mind if you are not in fact strong, you must behave as if you are. This conforms to a hoary old feudal tenet: appearances are all. The distinction bet-

ween what is affordable and what is not therefore disappears. One-half of this nation may every night go to bed -or to the apology of a bed-hungry and horrendously under-nourished, the nation's military expenditure must nonetheless mount year by year. Defence spending is the pretence of strength; such subsidiary functions as that it helps the lining of private poekets are only incidental. The bravado of those in charge is the deciding factor, and it bleeds the nation to debility. As long as the nation does not learn to protest, defence expenditure will continue to expand, and words and figures will continue to be so woven as to demonstrate to the neighbourhood innocents that retrogression is progress and across-the-border aggression is genteel peace-keeping.

Punjab, which produced some of the greatest heroes and martyrs during the nation's struggle for freedom, has been almost written off. About everybody agrees that she is in agony, about everybody agrees that the policy pursued over the years has proved totally counterproductive, but, since in our end is our beginning, nothing changes, the killings go on, the young people who are bailed out have their bail cancelled, and a minister pompously declares that it is a war which has to be fought to the finish. A war against whom? Against our own young men and women? Will it not then make more sense to declare the war more formally, so that at least some segments of this great nation are made aware that there has been a mix-up, they do not really belong here, the government has declared war on their children, and since their children belong to them and they belong to the children, they are aliens in this country, each one amongst them is a suspect? Some of them bitterly complain in private that they indeed are treated as suspects and criminals at large. Some of them even go the length of wryly suggesting that, yes, it is indeed war, a patriotic war between an external power and their own people, and a quisling from amongst them has been installed as home minister.

Thé pattern does not vary. The same elements, who have made a hash of things at home, proceed across the Palk Straits to repeat the folly. The hypothesis remains unchanged: the terrorists in Punjab are a

bare couple of thousands, the general populace hates them; similarly, the Liberation Tigers of Tamil Eelam are bereft of any influence amongst the Sri Lanka Tamils; if they still succeed in closing down laffna and Batticoloa, that is because they are bullies, and ordinary citizens are mortally alraid of bullies. On a lilliputian scale, but it is still megalomania at work. Messrs Reagan and Gorbachev are both extraordinarily deferential to us, one praises our economic policy, the other goes into raptures over our foreign policy, we have a standing army of over a million, we have tested successfully air to ground missiles as well as sophisticated delivery systems, we are therefore entitled to forget the niceties of international behavious and treat Sri Lanka as just another Punjab or another Tripura. The possible susceptibilities of other people do not bother us. After all, it is our own backyard, so says Reagan, it is agreed to by Gorbachev, we therefore make our own rules here. Sri Lanka's regular army consists of a bare twelve thousand men; we have already hauled across fifty thousand-or is it seventy thousand? of our troops to that liapless island, and more are supposed to land soon. The situation is analogous to what it would be should four or five million American or British or French or Chinese army personnel go on the rampage in our country. Whether they did so with the prior approval of our president or prime minister would then be a minor point. If four or five million foreign troops make a habit of settling down in our India, it would be pure, proud patriotism which will impel the countrymen, and display an activism more than simply the catharsis of emotions. But Sri Lankans are not Indians; it is presumptive on their part to claim to be subject to the same metabolism as ours.

They may have their pride, but we have our ego, therefore Sri Lanka has to be destroyed. We, once upon a time, started a certain game in Punjab; gradually, we lost control over it. But, we, the government of the sovereign socialist secular domocratic republic of India, cannot afford to admit this fact even to ourselves. Punjab too therefore has to be bled to death. What implications Punjab's slow bleeding to death will have for the rest of the nation is a matter of conjecture which need not detain us; a government which works faster cannot afford the luxury of philosophising on the consequences of its actions. It has other occupations and preoccupations. Such as, for instance, Tripura. Now that the elections are over and the state has been snatched back from the left infidels, the TNV insurgents have disappeared like magic. The coincidences are truly remarkable. Murder and mayhem herald the prime minister's pre-election visit; the prime minister is incensed, a pall

of righteous indignation hangs over his countenance, he returns to New Delhi and orders the army in just two days before the onset of the poll, the army succeeds in restoring law and order, it succeeds in managing the election too. No TNV marauders raid Tripura hamlets any more, no dogs bark either. Made-to-order disturbances follow by made-to-order peace. Who knows whether the Ghising phenomenon up in Darjeeling does not bear the same inspiration, yet another simulation of the original Bhindranwale model? The model did not quite click in Punjab, but one non-swallow does not make a nonsummer, it has apparently succeeded in Tripura, and it might yet do the trick in West Bengal. The nation marches on.

The opposition is befuddled. The terrorists in Punjab, it has been decided unanimously, are a threat to the nation's integrity. The opposition must not fall into the trap, they must not, by their act and demeanour, ever provide hostage to the suspicion that they are less patriotic than the government. Barring ritualistic references to the need for a political initiative in addition to what is being currently done, they accordingly keep their silence. Apropos of Sri Lanka 100, our troops obviously cannot be let down. A wise decision or a bad one, they are already there in the island, and to criticise their presence could contribute to demoralisation, the sovereign socialist secular democratic republic's loyal opposition cannot be a party to the eventuation of such a possibility. Their uneasiness is therefore confined to raising a few tepid questions on the floor of parliament, or not even that. As for Tripura, there is an attitude of ambivalence; since the leftists have been brought down a peg or two, whatever the method followed, why not savour the situation for one or two brief moments, consideration of the implications over the long run might as well wait?

The institutions are there, but they reduce themselves to irrelevance. As everybody knows, the Monopolies and Restrictive Trade Practices Commission these days concerns itself with the grave issue of distribution of fake degrees. The opposition similarly is there, but it has rendered itself irrelevant. An emboldened government will therefore increasingly take the lawless road, the logo of amorality will be planted as its emblem, adventurers operating under the government's protection, flustered initially by exposes of their shady doings, will vacate their public office, but, having gauged the will and strength of the opposition, will return as all-conquering shahenshalvs. Their ethos will in due time capture the imagination of the nation's young; their apparel already has. A school boy, barely sixteen years of age, will murder his class-mate in cold blood for an altogether frivolous reason; he will plead that he has imbibed the lesson of instant justice from the current box office hit of a feature film, and is not the dispenser of instant justice the confidant of the nation's highest? A judge will remonstrate with a police constable who has come to give evidence without bothering to don the proper uniform; the constable will return to the barracks, collect a crowd of his peers and come back to beat up the judge. Some where else in this noble land of ours, another batch of policemen, out on a night's romp, will raid a village, drive away the menfolk and rape the women, as if such pastinies belong to the most natural order. Neither scruples nor laws nor rules nor conventions will matter any more. You will be allowed to utter the most outrageous inexactitudes in the economic survey, you will be expected to l'udge your figures all the way in your presentation of the annual budget. Characters in the proximity of the government, nearly everybody will agree, have filched hefty sums, either as bribes or as commission: but the pretence has to be kept up, you cannot call the corrupt crowd corrupt, they, do not you know, follow the ideals of Mahatma Gandhi; at long last, Mahatma Gandhi has received his just deserts.

The point has been missed. Even an exasperated Shankar Dayal Sharma only offers to resign. He does not resign. None under the Indian sun dares to leave the lawless road. I belong, you belong, they belong, we will, together, proceed towards our collective doom. Meanwhile, in parliament, there will be a general discussion on the budget, attention will be drawn to its production-stimulating features.

#### COMPANIES

DCM

#### Paper Profile

DCM has shown a gross profit of Rs 13.20 erore for 1986-87 as against Rs 19.83 crore in the previous year despite increase in turnover from Rs 412.98 crore to Rs 489.38 crote. Net profit is a merc Rs 49 lakh against Rs 549 lakh previously. Equity dividend, paid at 8 per cent last year, has been passed over. Even these profit figures have been arrived at after adjustments and changes in the accounting method, without which the company would have shown a loss. For instance, the auditors have pointed out in their report that the rates of depreciations so far adopted by the company in respect of plant and machinery and buildings were higher than those required under the Companies Act, 1956. During 1986-87, these rates were revised with retrospective effect. Also, the company has provided depreciation in respect of additions to plant and machinery made during the year on a pro rata basis and not for the full year as hitherto done, Consequent to these changes, the profit before tax for the year is higher by about Rs 7.50 crore which also includes the write back of depreciation provided in earlier years amounting to about Rs 2.57 crore. The company has changed the treatment in the accounts for interest on borrowed funds, other than term loans, attributable to cement project. Upto June 30, 1986 such interest was charged off to the profit and loss account, whereas now the company has capitalised such interest incurred since the commencement of the project till the date of its commissioning. Consequently, the profit before tax for the year is higher by Rs 185 lakh which also includes the write back of interest amounting to Rs 74 lakh charged off to the profit and loss account in earlier years. In accordance with the accounting policy followed by the company. no provision has been made for gratuity hability as at June 30, 1987 estimated at Rs 13.16 crore (gross Rs 27.70 crore less tuture tax benefit Rs 14.54 crore). If provision had been made taking into account future tax benefit, profit after tax for the year would have been lower by Rs 93 lakh and reserves would have been lower by Rs 13.16 erore. An amount of Rs 390 lakh

is in the gratuity reserve.

The company has changed the method of valuation of closing stocks of raw materials, stores and spares, process stocks and finished goods during the year in order to have uniformity in the method of valuation at all its units instead of different methods hitherto adopted at different units. Consequent to this change, profit before tax for the year is higher by Rs 31 lakh. The price of levy sugar sold after February 22, 1974 amounting to Rs 799 lakh is the subject of court cases and will require adjustment on final decision. No provision has been made for doubtful debts and loans and advances amounting to Rs 112 lakh (gross Rs 236 lakh less future tax benefit Rs 124 lakh). If full provision for doubtful debts and loans and advances had been made taking into account future tax benefit, profit after tax for the year would have been lower by Rs 20 lakh and the reserves would have been lower by Rs 112 lakh. The directors attribute the company's dismal performance mainly to the glut in the fertiliser market, the prolonged strike in Shriram Rayons, the setback in DCM Data Products operations and continuing poor operations of textiles.

#### **HERO HONDA** Indigenising

HERO HONDA could produce 58,420 numbers motorcycles during 1986-87 as

against its target of 73,000 numbers and installed capacity of 1.20 lakh numbers. Sales amounted to Rs 66.96 crore against Rs 45.03 crore in the previous year, but the outcome was a drop in gross profit from Rs 3.17 crore to Rs 1.70 crore. After depreciation, there was a net loss of Rs 31. lakh compared to a net profit of Rs 115 lakh. The directors attribute the poor result to increasing cost of raw materials in the wake of appreciating Japanese Yen and higher burden of interest. The company's order book is of the order of 5,17,381 motorcycles and cancellations have been very negligible. The company has been self-sufficient in power supply with the installation of diesel generating sets. The management is planning to instal further a 1,150 KVA diesel generating set in view of the continued uncertainty in public power supply in Haryana.

The company has been pursuing accelerated indigenisation scheme at a faster pace than what was envisaged in the phased manufacturing programme. The engine plant has been commissioned and the company is already manufacturing critical aluminium components of the engine. With the implementation of the second phase manufacturing of the critical components of the engine, the company will be able to reduce the portion of imported components and efforts are to reduce im-

The Week's Companies

port content to 12.5 per cent by the current year. With the production of steel components, the import content would be still lower and at the end of May, 1986 import content it is expected to be lower than 10 per cent. The company has planned a targeted production of nearly 85,000 motorcycles in the current financial year. During the year, the company also came out with a 'rights' equity issue of Rs 360 lakh and non-convertible debenture issue of Rs 600 lakh. The issue has been a success and the company retained Rs 300 lakh as excess subscription towards the debenture issue, the necessary permission for which has been received from the Controller of Capital Issues.

## AMAR DYE-CHEM Mounting Losses

AMAR DYE-CHEM, which had been suffering from chronic labour trouble for about seven years, resumed operations from January 1987. Most of its plants planned to be recommissioned were in operation by the end of June 1987. During 1986-87, production including that of the Vapi plant was 1,060 tonnes as against 34 tonnes at Vapi only in the previous year. Sales amounted to Rs 4.17 crore against Rs 1.24 crore and the company suffered

a fresh trading loss of Rs 3.40 crore against Rs 3.43 crore. With this loss, the accumulated deficit mounted up to Rs 17.53 crore to stand against the share capital of Rs 5.49 crore. Exports amounted to Rs 142 lakh (Rs 11 lakh).

The Board for Industrial and Financial Reconstruction (BIFR), determined that the company has become sick and continue to be sick. BIFR however, has yet to make its order under Section 17 of the Sick Industrial Companies (Special Provisions) Act, for which further hearings may be held. BIFR also appointed MRB Punja as a special director on the company's board. In the meantime, the rehabilitation package is being reviewed and modified by the financial institutions and consortium of banks in the light of the developments that have taken place since the company resumed its operations. The protection given to the company under Bombay Relief Undertaking (Special Provisions) Act expired on December 2, 1987 and has been extended by Maharashtra government for one year.

## SARABHAIS Poised for Growth

AMBALAL SARABHAI ENTER-PRISES (ASE) has become a company (Rs Lakh)

		IE	1.	Hero I	londa	Amar D	y Chem	Ambalal	Sarabhai
		Latest Year 30-6-87	Last Year 30-6-86	Latest Year 30-6-87	1 ast Year 30-6-86	Latest Year 30-6-87	Last Year 30 6-85	1.atest Year 30-6-86	Lasi Year 31-6-85
Paid-up Capital	** * * * * *	2389	2389	1560	1200	347	347	2220	2220
Reserves		5294	5250	84	115	1712	1902	2626	3315
Borrowings		14617	12062	3241	1069	2663	1908	8680	10176
of which Term borrowings		5275	4329	3174	1060	1201	795	5881	5811
Gross fixed assers		27101	22763	3853	2269	4340	4340	8463	11564
Net fixed assets		12402	9798	3448	2064	2687	2875	4423	7335
Investments		655	655	0.50	0.50	52	51	882	699
Current liabilities		10551	8163	1386	1052	513	468	5224	7038
Current assets		19545	17161	2586	1526	944	532	10599	12021
Stocks		12304	10825	1738	1109	575	339	2478	4200
Book debis		4621	3535	44	110	190	57	1985	3330
Net sales		48938	41298	6696	4503	417	124	13835	18937
Other income		2022	2593	255	418	149	39	460	488
Raw material costs		25820	18323	5368	3403	185	114	5334	7448
Wages		5374	5036	194	158	220	68	3404	3476
Interesi		2262	1877	581	510	147	225	1197	1292
Gross profit (+)/loss (-)		1320	1983	170	317	- 340	343	76	- 698
Depreciation provision		1205	1353	201	202		-	168	300
Tax provision		66	81		_ •	_	_		
Nei profii (+)/loss (-)		49	549	31	115	- 340	343	244	998
Investment allowance reserve					_		_	_	_
Transfer to reserves		43	360		115		_		
Dividend		••							
Amount	P	6	6	_			<b></b>		_
	E	<b>.</b> .	183						
Rate (per cent)	P	3.7 - 7.14	3.7 - 7.14	4 —					
(per cent)	Ė	3.7 - 7.14	8	·			_	-	
Cover (times)		_	3.00		page.	_			
Ratios (per cent)			5.00						
Gross profit/sales		2.69	4.78	2.70	7.04				
Net profit/capital employed		0.64	7.19	****	8.74	a-44	***		*
Inventories/sales		25.14	26.23	25.95	24.63	137.90	273 39	17 92	22 18
Wages/sales		10.94	12.49	2.90	3.51	52.76	54.84	24.60	18.35

specialising in drugs, pharmaceuticals and related health care fields from July 1, 1985 pursuant to the scheme of arrangement. Its operations cover a wide spectrum of fine chemicals, bulk drugs and medicinal products, including veterinary preparations and animal feed supplements. According to Gautam Sarabhai, chairman, with the technological specialisation that has been achieved following the scheme of arrangement, ASE is once again poised for growth has registerd an increase of over 30 per cent in the turnover during the first half of 1987-88 as compared to the same period of the previous year. The computer division of ASE has vested from July 1, 1985 in Sarabhai Electronics specialising in the hi-tech field of computers, peripherals and software support. 'Super-max' and ORG-Systems computers and peripherals, backed by technical and software support are in service with the major public and private sector corporations. Pursuant to the scheme of arrangement, the shareholders of ASE will have the advantage of automatically becoming, without payment, shareholders of a separate company poised for rapid growth, whose shares will be listed on the stock exchange. As a result of the liberalised industrial licensing policy, the company has received approval for penicillin (1000 mmu pa) erythromycin (50 tpa) vitamin C (1000 tpa) doxycycline (5 tpa) insulin and other pharmaceutical preparations. During 1985-86, the company showed a net loss of Rs 2.44 crore on a turnover of Rs 138.35 crore as against a net loss of Rs 9.98 crore on a turnover of Rs 189.37 crore in the previous year which included operations of other divisions which in pursuance of the scheme of arrangement have vested in the company's subsidiaries from July 1, 1985. These figures are, therefore, not comparable.

#### ARTSON ENGINEERING

#### Better Financial Performance

ARTSON ENGINEERING, a design and construction company capable of undertaking large contracts in mechanical, electrical and instrumentation engineering, has shown an improved financial performance during the year ended September 30, 1987. Gross profit was Rs 97.05 takh as against Rs 73.96 lakh in the previous year in spite of a drop in turnover from Rs 361.92 lakh to Rs 334.54 lakh. After making a provision for depreciation, investment allowance and taxation, net profit is Rs 9.08 lakh as against Rs 5.59 lakh in the previous year. The board of directors have recommended a dividend of 20 per cent, the same as in the previous year.

#### THE RAYMOND WOOLLEN MILLS LIMITED

#### NOTICE

It is hereby notified for the information of the public that The Raymond Woollen Mills Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies & Restrictive Trade Practices Act, 1969, for approval to the establishment of a new unit, the brief particulars of which are as under-

- 1) Name and address of the applicant: The Raymond Woollen Mills Limited, New Hind House, N. M. Marg, Ballard Estate, Bombay 400 U38.
- 2) Capital Structure of the applicant organisation (a) Authorised Capital Rs. 3,000 lacs (b) Issued and Subscribed Capital Rs. 1,373 68 lacs.
- 3) Management structure of the applicant organisation indicating the names of the Directors including the Managing Director. Whole time Directors and Manager, if any. The Company is managed by the Managing Director, Shri Vijaypat Singhania and by a Whole-time Director, Shri Madhipati Singhania, subject to the superinteridence, control and directions of the Board of Directors consisting of.

  (i) Shri Vijaypat Singhania Chairman & Managing Director (ii) Shri Bansidhar Somani (iii) Shri Vasantlal D. Mehta (iv) Shri V. S. Natarajan (v) Shri N. J. Jhaveri (Nominee of ICICI) (vi) Shri Madhipati Singhania (vii) Shri J. P. Thacker (viii) Shri D. G. Aggarwal (ix) Shri M. R. Shroff (x) Shri Nana Chiudasama (xi) Shri V. K. Pandit (Nominee of MPAVN) (xii) Shri A. R. Prabhu (Nominee of UTI).
- 4) Indicate whether the proposal relates to the establishment of a new Undertaking or a new Unit/Divisor. Establishment of an Unit of the Company
- 5) Location of the new Undertaking/Unit/Division Change of location from village Rajegaori in the District of Balaghat (Madhva Tradesh) to Boregaon, District Chindwara (Madhya Pradesh)
- 6) Capital structure of the proposed Undertaking. Not applicable
- 7) In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate: (i) Names of goods/articles. Textiles made wholly or in part of synthetics, artificial (man made) fibres including yarn and hosiery of such fibres and manufacture of textiles made wholly or in part of cotton to avail of fuller fibre flexibility under the Textile Policy (ii) Proposed licensed capacity-50000 spindles and 1500 iooms (iii) Estimated annual turnover. Rs. 48,770 lacs.
- 8) In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc.: Not applicable
- 9) Cost of the Project Estimated cost of project Rs. 33,500 lacs.
- 10) Scheme of finance indicating the amount to be raised from each source: The estimated cost of Rs 33,500 lacs is to be financed as under (1) Suppliers' credit/Foreign Currency Loan from Banks & Financial Institutions/Issue of Debentures Rs 25,500 lacs (2) Internal accruals Rs 8,000 lacs, Total Rs 33,500 lacs.

This advertisement is made pursuant to the application of the Company for change of location of the Undertaking to Boregaon, District Chindwara (Madhya Pradesh) from District Balaghat (Madhya Pradesh) for which LI 157-(1987)/Regn. No. 913(86)IL/SCS dated 6 4 1987 was earlier received

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Registered Office

For the raymond woollen mills limited

New Hind House, N M Marg, Ballard Estate, Bombay 400 038

A. M. BHAT Secretary

Date 1st March, 1988

## A Juicy Bit from Gromyko's Memoirs

**GPD** 

Andrei Gromyko's memoirs, one fears, is unlikely to stay long on the best-seller list, if it gets there at all. However, the book has quite a story to tell about the Taiwan Straits crisis of 1958 which may also have a bearing on the beginnings of the Sino-Soviet feud.

ANDREI GROMYKO has been a permanent fixture of Soviet polities for well over half a century. For the most part of this period he was in charge of the foreign policy of the Soviet Union. For many years after the demotion of Trotsky the foreign numster of the Soviet Union was not a member of the Politbureau of the Communist Party of the Soviet Union. Gromyko was a member of the Politbureau for many years. Till he was kicked upstairs as president of the USSR, he had been an influential and effective minister. His memoirs in two volumes are due for publication and distribution in the Soviet Union over the next few weeks. Maybe as a part of the friendship drive that Gorbachev has launched, an advance copy of the memoirs has been made available to the Moscow bureau of the New York Times. Obviously the New York Times does consider the event of the publication of the Gromyko memoirs as 'news fit to print', although it regrets that Gromyko offers "little insight into Kremlin politics". This presumably means that the memoirs offers no juicy stories or reports of any conspiratorial exchanges under the onion-shaped domes of the Kremlin. The atmosphere in Kremlin must have been pretty sedate, business as usual. The Americans probably don't like it. In any event the Russian president is unlikely to have the skills of the ghost-writers for American statesmen who turn the banalities of their pay-masters into attractive, racy stories. The New York Times was understandably at a loss to make a 'story' out of the memoirs which report. for example, that the Soviet side told the visiting Pakistan president and his team that Pakistan was "an accomplice in the war against Afghanistan". Did general Zia travel to Moscow to listen to something he already knew? Gromyko's memoirs, one fears, will be heavy reading and is unlikely to stay long on the best seller list if it gets there at all.

But then the memoirs are not entirely devoid of stories. They tell quite a story on the Taiwan Straits crisis of 1958. It has been common knowledge that the Soviet response was delayed when the Guomindang forces on Quemoy and Matsu started bombarding the mainland. Early in that crisis, in fact in less than forty-eight hours, Zhou Enlai had signalled that he was willing to talk business with the Americans at any time and place of their choosing. This signalling yielded no result except that Moscow came out with

vocaterons support for Beijing on the question. One does not know if Gromyko has anything to say in his memoirs on this sequence of events, i e, on the chronology of Sovict support to China on the Taiwan Straits question. One will have to wait for the translation of the memoirs for such details.

The New York Times report however mentions the secret visit of Gromyko to Beijing in August 1958. Gromyko reports that in his talks with Mao Zedong, the latter proposed that the Soviet Union should "help lure US troops into China where they would be attacked by nuclear weapons". Mao's scenario was that the US forces were bound to invade China. The Guomindang forces' shelling of the mainland was clearly a curtain-raiser to a large-scale attack on China by the US forces. Once the American forces invaded China, Chinese troops would withdraw to the rear, to the heartland of China. In the Maoist scheme of things, the Soviet Union was supposed to "catch them with all its means". Gromyko was taken aback by the audacity of the plan, and rejected it straightaway. Moscow was so shocked by the Maoist daredevilry that in 1959 it withdrew its offer of nuclear weapons to China. The Gromyko memoirs thus confirm that the beginning of the Sino-Soviet feud dates from the Taiwan Straits crisis of 1958 and that the first blow which China received was the denial to it of nuclear power status. The Soviets were not going to let China be a nuclear power presumably because Mao Zedong in their view could not be trusted with these weapons. Thus began their feud which has lasted for three decades.

It does not require much thought to see that Mao's proposal was not practical. If insplemented, it would have brought the world close to disaster. Mao Zedong obviously thought that a nuclear war could be a local war. Of course, the American invasion which was a pre-requisite for Mao's scenario to materialise never took place. As proposed to Gromyko it was in the nature of a contingency plan. How to tackle the invading American army was the question. The New York Times report does not say what 'alternative' proposals, if any, were made by Gromyko and his team. The thrust of the report and presumably also of the Gromyko's account is to show how adventurous and audacious was Mao's military thinking.

That it was audacious and adventurous in this specific case is clear enough. But Mao must have expected Soviet counter-proposals to meet the situation in the event of a possible American invasion of China. He probably did not get any. The visiting Russians did not say what was to be done if the Americans actually moved into China. The point about the Groinyko-Mao story is not very much the absurd scenario that Mao had drawn but rather the Soviet reluctance to commit themselves to the defence of China in the event of an American invasion. Of course, we shall have to wait for the text of the memoirs to be available for us to be certain of this. But it seems quite plausible that the Soviets must have taken such a fright at the chairman's audacity that they simply retreated into a shell. The American invasion, of course, did not take place. But the Americans had almost madvertantly achieved quite a diplomatic coup. Sino-Soviet relations were not going to be the same again for several decades if not for ever.

Khruschev and Gromyko did not see the implications of what they were doing. Had it been otherwise Gromyko would nut have told Mao in that fateful August of 1958 that "the scenario of war described by you cannot meet a positive response by us". A singularly unimaginative statement, one must say. This is not to suggest that Gromyko should have backed Mao Zedong in his wild plans. He could not have and, indeed, should not have. But short of that he could have done several things. Instead of that, close on the heels of Gromyko's secret trip to Beijing, the Soviets went back on their commitment to give nuclear weapons to China. They added insult to Chinese injury when Khruschev went ahead with his summitty with Eisenhower in 1959, i.e., in the same year in which the retraction of the offer of nuclear weapons to China took place.

One does not know it Gromyko has discussed in details the full implications of his talks in Beijing or whether he is content to portray Mao as an irrational and adventurist politician. Mao Zedong has few defenders left in the Beijing hierarchy today. So not many people would be upset there. But one is not certain if they would not see that the general thrust of Mac Zedong's foreign policy was neither unrealistic, nor adventurist. That dependence on big powers is no guarantee of China's security was the first principle of Mao-Zhou foreign policy. The second principle was that a state of the size of China cannot defend itself and its weltanzchauung by taking nuclear sanyasa. In other words, it must acquire a nuclear deterrent. In short the 1958 Taiwan Straits crisis marked the emergence of Chiua as a world power. Even the apparently silly Mao Zedong proposal tells the same story, except that Gromyko and the New York Times which reported this juicy item from his memoirs have chosen to ignore it.

# MARCH 31

# ACCOUNTING YEAR ENDS ON 31 MARCH

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## Vanniyars' Agitation

R Vidyasagar

The vanniyars' agitation in Tamil Nadu and the harijans' uprising as a response to it pose a severe test to the revolutionary movement which has a relatively better mass base among the harijans. Will the revolutionary movement be able to assimilate the democratic components of both the communities outflanking their parochial consciousness?

IN Tamil Nadu, notwithstanding a series of 'positive discriminatory' measures in education and government employment in favour of backward classes (BCs) for over half a century now (the present level of reservation for BCs is 50 per cent) and almost two decades after the elevation of Dravidian parties which claim to champion the interests of the BCs, to power, vanniyars, the largest backward caste in the state, are rising in struggle against the government demanding an exclusive 20 per cent reservation in the state and a 2 per cent reservation in central services. The entire road traffic through northern lamil Nadu came to a halt for one full week in September 1987 when the vanniyars organised a 'tasta roko' to forcefully back up their demands. The emergence of such a powerful movement poses the following basic questions:

- (1) Are there any socio-economic factors peculiar to the vanniyar community which force them to massively rally behind this demand?
- (2) Why is there such a strong caste identity among vanniyars and how does it relate with their general economic interests? What will be its fall-out in terms of the vanniyar-harijan relationship?
- (3) What are the shortcomings in the reservation system as it exists now which have pushed a major community to take to the street with a newer demand? Does this newer demand for proportionate reservation have constitutional sanction and what are its other implications?

#### SOCIO-ECONOMIC BACKGROUND

Vanniyakula kshatriyas, or vanniyars as they are generally known, constitute the largest community in Tamil Nadu, next only to the scheduled castes. Concentrated in the northern districts of Tamil Nadu, viz, South Arcot, North Arcot, Salem, Chengalpattu and Dharmapuri, they also form a sizable section of the population in certain taluks of Thanjavur, Tiruchi and Coimbatore districts. Though not a conglomeration of different castes and sub-castes they carry different titles in different districts, viz, 'Padayachi' in Chengalpattu, South Arcot and Than-

javur, 'naicker or 'nayagar' in North Arcot and Madras and 'gounder' (nonvellala) in Salem, Dharmapuri and Coimbatore districts.

Their unsubstantiated claim is that they make up over 30 per cent of the state's population. Here we have estimated the population of vanniyars based on the projections of the Backward Classes Commission 1969, which itself had based its figures on the projections of the 1921 caseteswise census data. Table 1 gives the stimates of the vanniyar population and their proportion to the total and the non-scheduled castes (non-SC) population. Districtwise these estimates are worked out only for four districts where the vanniyars form a sizable chunk of the population.

Contrary to their claims vanniyars form only 11.66 per cent of the total state population at 14.35 per cent of the non-SC population. They range between 19 and 37 per cent of total population and 23 and 50 per cent of total non-SC population in the four northern districts. This explains the intensity of the vanniyars' struggle in these districts, especially in South Arcot where they account for about 50 per cent of the non-SC population and nearly 37 per cent of the total population. (South Arcot is the district where eleven persons died in police firing).

It may incidentally be mentioned here that the SC population constituted 26.21 per cent, 19.89 per cent, 25.97 per cent and 15.07 per cent respectively in Chengalpattu, North Arcot, South Arcot and Salem (including Dharmapuri) districts during

1981, while the state average for the same year was 18.35 per cent.<sup>2</sup> The above figures indicate that the vanniyar and SC communities are the two numerically important and preponderant ones in northern Tantil Nadu.

As vanniyars are concentrated in the above districts, we have tried to look at certain broad development indicators such as literacy, urbanisation, changes in the occupational structure and agricultural growth in these districts in order to assess the social mobility of vanniyars. These are only rough assessments since in the absence of castewise data we have relied on general data.

Figures presented in Table 2 give the growth rate of literacy among the non-SC population and SC population between 1971 and 1981. In the absence of castewise data on literacy we assume that the trends in the literacy rate of non-SC population are parallel to the literacy level of vanniyars.

Table 2 shows that the proportion of literates among the non-SC population in the northern districts, except Chengalpattu, is lower than the state average both during 1971 and 1981. In Chengalpattu it is higher than the state average probably because of its proximity to Madias city. But the growth rate of literates among the non-SC communities seems to be higher in the three districts and lower in South Arcot and North Arcot compared to the state average. Coming to literates among the SC population, though the proportion of literates is much lower compared to that of the non-SC population there is an impressive growth in all the northern districts and the growth rates are higher compared to that of non-SC population. However, these figures indicate that among the non-SC population of the northern districts (except Chengalpattu), around 60 to 70 per cent are still illiterates. Given these realities it is only natural for vanniyars to develop a sense of lagging behind educationally, especially when they see the spread of education among the present generations of SCs. Hence the

TABLE 1: ESTIMATES OF VANNIVAR POPULATION FOR 1971, 1981 AND 1987

Districts		Population		Proportion	Proportion
	1971	1981	1987	to Total Population	10 Non SC Population
Chengalpattu	5,77,397	7,18,859	8,42,143	19.89	26.94
North Arcot	9,52,211	11,11,420	12,41,344	25.05	31.43
South Arcot	13,36,596	15,51,386	17,25,141	36.87	49 88
Salem*	9,06,483	10,52,789	11,7t,438	t9.3t	22.88
Tamil Nadu	48,61,742	56,71,222	63,34,187	11 66	14 35

Note: \* Including Dharmapuri district.

Source: 1971—estimated by Tamil Nadu Backward Classes Commission, Report, 197t, Vol 2, p 111.

1981 and 1987—estimated on the basis of the projections of the Backward Classes Commission.

tendency to seek greater educational opportunities through reservation.

Urbanisation cannot always be characterised as an indicator of social mobility as urbanisation could occur as a result of both push and pull lactors. Given this, here we would like to verify whether the trends in urbanisation are of any relevance to the rise of the vannivars' demand and whether the main thrust to it is of urban or rural origin. As far as urbanisation in these regions is concerned (in terms of growth of urban population), except in Chengalpattu all the other four districts have a lower proportion of non-SC population living in urban areas during 1981 than the state average. The proportion is strikingly low in the case of South Arcot and Dharmapuri districts (Table 3).

It is to be noted here that the growth rate of SC urban population is much higher than that of non-SC urban population, though the proportion of SC population living in urban areas is much less than the proportion of non-SC urban population living in urban areas in all the northern districts. However, figures presented in Table 3 clearly indicates that 70 to 90 per cent (Dharmapuri) of the non-SC population is still rural. This points to the fact that the trends of urbanisation in the vanniyar belt do not have much to do with the vanniyars' demand and that this demand cannot but have a powerful rural thrust.

In the four northern districts (except Chengalpattu) around 69 to 78 per cent of the workforce is still dependent on agriculture and there has been no marked shift in the occupational structure between 1971 and 1981. This means no significant new employment outlet has been opened up. This inevitably leads one to look into the kind of agrarian transformation that is taking place in these districts to assess the prospects of increased labour absorption capacity and new employment potential in agriculture itself. We will also take a brief overview of the trend of increasing social stratification that is taking place.

Does the demand of the vanniyars spring from a stagnant agricultural background? No, on the agrarian front these districts are in a comfortable position. There is a clear pattern of growth in irrigation in Chengalpattu, North Arcot and South Arcot districts. Up to the midsixties the major source of irrigation was tanks. From then onwards well irrigation emerged as an equally important source in these districts. Lift irrigation through electrically operated pumpsets and oil engines bas shown a remarkable growth between 1966 and 1982 in all these northern districts.4 To judge the impact of the development of irrigation sources, we have worked out some broad indicators of agricultural growth in the area (Table 4). Figures presented in Table 4 are based on two normal years, i e, 1962-63 and 1981-82. Figures in the table do not indicate any major change in gross cropped area and cropping intensity as well as gross irrigated area. But the significant development in well irrigation and only a marginal change in the cultivated area is explained by the fact that there is a signifi-

cant change in the cropping pattern. Perennial, annual and long duration crops and paddy are taking the place of coarse grains, pulses and oilseeds. That is, the shift is towards crops which are dependent on more and assured water supply. 5 The rise in productivity levels also reflects the impact of irrigation on cultivation. According to one study, South Arcot and Chengalpattu districts are high growth areas with over 4.5 per cent growth (compound growth rates in all crops at district level between the triennia 1962-65 and 1975-78) among the top 39 districts in India. South Arcot and Chengalpattu liad growth rates of 5.28 and 4.59 per cent respectively and the corresponding figures for North Arcot and Salem (including Dharmapuri) districts arc 3.21 and 2.0 per cent respectively.6 While the impact of changes in irrigation sources, eropping pattern, etc, on employment opportunities for agricultural labourers is different across regions, available evidence shows that real wages tended to remain stagnant over the period 1950-51 to 1980-81, especially in the northern districts. This partly reflects the limited impact on employment opportunities.

A brief look at the land distribution pattern would give an idea about the stratification that is taking place. In the absence of district-wise data for recent years we will look into the data for the state as a whole in order to assess the changes in land holdings.

To see the trends in the land ownership position of vanniyars, certain village studies done in the northern parts of Tamil Nadu are also discussed here. Though one cannot generalise on the basis of a few village studies, they definitely give a broad idea of the position of vanniyars in the northern region of Tamil Nadu. Table 5 presents the distribution of operational holdings by holding size during 1970-71 and 1979-80 in Tamil Nadu.

Besides indicating the skewedness in the distribution of land holdings the figures also show that a section of holdings between 1.0 and 10.0 hectares have consolidated their position. In 1971 this group formed 40.08 per cent of the total number of operational holdings and operated around 70 per cent of the land. In 1979-80, though their proportion to the total number of holdings has drastically reduced there is only a marginal change in the proportion of land operated, showing that a section is really getting consolidated. Available evidence (from village studies) suggests that this kind of consolidation is taking place in the vanniyar belt also. Our personal experience in South Arcot district shows that the middle strata (land ownership-wise) among vanniyars act as the backbone of the movement demanding reservation from a posi-

TABLE 2: LITERACY LEVEL OF NON-SC AND SC POPULATION IN 1971 AND 1981

Districts	•	of Literates sC Population	Proportion of Literates Among SC Population		
	1971	1981	1971	1981	
en 1			24 00		
Chenyalpattu	45.30	53.59	24.09	32.26	
North Arcot	36.95	42 93	25.14	32.68	
South Arcot	36 17	42.10	16.74	21.59	
Salem	34.43	41.66	17.48	27 10	
Dharmapuri	23 63	30 29	13.96	20.96	
Tanul Nadu	43.26	50.60	21/82	29.67	

Source: Compiled from Census volumes of 1971 and 1981 (famil Nadu).

TABLE 3. URBANISATION IN THE NORTHERN DISTRICTS OF TABLE NADU

(Percentages)

Districts	Urban Pop to Total Pop 1981	Non-SC Urban Pop to Total Non SC Pop 1981	SC Urban Pop 10 Iotal SC Pop 1981	Growth I Total Urban Pop	Non-SC Urban Pop	SC Urban Pop
Chengalpatiu	38.93	44.70	22.67	39.29	38.89	41.52
North Arcot	23.01	24.87	15.50	29.68	28 27	39.60
South Aicor	15.70	18.63	7.32	28,58	27.39	37 93
Salem	28 93	31.19	17.31	19.59	24 75	29.32
Dharmapun	9 37	9.96	5.70	30.08	29.06	41.82
Tamil Nadu	32,95	35.82	20.16	27,96	26.44	41.52

Source: Compiled from Census volumes of 1971 and 1981 (Tamil Nadu).

tion of strength and upward mobility. At village level this is the section which has invariably provided the leadership in the struggle.

Sundari from her study of 22 villages in Chengalpattu district concluded that the biggest gainer from the decline of brahmins and mudaliars have been the naickers (vanniyars). In seven villages where the former castes have moved out of the village, the naickers have ascended to become the single largest land owning class. In other villages they continue to retain their land owning status while in two villages naickers are replaced by some other castes. 8 Although her study indicates that a section among vanniyars have consolidated their position, stratification within this community is also noted. She has mentioned that the bulk of the marginally landed agricultural wage labourers are drawn from among vannīyars.9

Another village survey done in North Arcot district where vanniyars form 70 per cent of the population also indicates the consolidation of their position as far as land ownership is concerned. In 1913 this community owned only 3.9 per cent of the total land and in 1983 constituting 69.3 per cent of the population they owned 70.64 per cent of the land in the village. But among the vanniyar population 52.3 per cent of the households were landless in 1983 and among the landholding households land is not equally distributed. To A majority of a non-traditional weaving community, especially vanniyars,

have taken to handloom weaving in the village. Out of 326 weaving households 291 were drawn from vanniyars and among them 199 households combined both weaving and agriculture as their occupations. The authors have pointed out that the unreliable and uncertain (though not backward) agriculture of the village has worked as a push factor among a few other reasons. This study has also noted that 62.4 per cent of the vanniyar population were still illiterates in 1983. 12

Yet another village survey conducted in South Arcot district where vanniyars constituted the bulk of the population noted the skewed land distribution in the village. 38.9 per cent of the land was owned by a single upper caste land owner and among vanniyars one household owned over 25 acres. The rest of the land was unequally distributed.<sup>13</sup>

The above studies reveal that there is a considerable improvement in the conditions of vanniyars. However, it seems only a particular section among the vanniyars have benefited out of these developments whereas a majority of them still remain as marginal farmers, agricultural labourers, handloom weavers, etc. vanniyars who are pushed out of the villages also work as head load workers, rickshaw pullers, etc, in the nearby towns. <sup>14</sup>

These then are the overall socio-economic factors behind the vanhiyar movement. Despite some peculiarities one has to admit that many of the above mentioned factors are common to other communities and other regions also, which have

not witnessed similar movements. But why is there such a strong movement among vanniyars of northern Tamil Nadu? Beyond the powerful but limited influence of these socio-economic factors operates a strong caste identity among vanniyars, reinforced by the historical tendency for caste assertion which provides the key to answering this question.

#### CASTE IDENTITY

The strong caste assertion among vanniyars has a long history of over a century. As early as 1833, the 'pallis' (as the vanniyars were then called) protested against being treated as a low caste, by way of trying to procure a decree in Pondicherry. 15 In 1871 itself this community petitioned to the census authorities to classify them as kshatriyas. Vanniyars try to assert their position and identity by weaving together historical reality with mythology, with claims of being the 'Agni Kula' the fire race; of being kshatriyas and descendants of the Pallava dynasty. This caste had a well organised sangam called 'Chennai Vanniyakula Kshatriya Maha Sangam' which was established as far back as in 1888.16

In an attempt to strengthen their identity and status many vanniyars started referring to themselves as vanniakula kshatriya and as a result of their continuous effort to raise their status and to drop the description of traditional caste occupations, the Madras census stopped mentioning caste occupations in 1921. By 1931 the pallis had altogether disappeared and only vanniyakula kshatriya remained in the census.<sup>17</sup>

Having established their caste identity, their caste organisation took up economic demands in order to facilitate the upward mobility of the community. Organisations based in North Arcot and South Arcot were active in the field. In 1952 itself their organisation pressed for two demands, viz, appointment in civil services proportionately to the vanniyar population and nominations to local and legislative bodies. Vanniyars were forced to work independently outside the Congress Party as the party did not fulfil their demands. Functioning independently they captured 22 out of 52 seats in the South Arcot district board. With the prospects of general elections in 1952, the vanniyars formed their own political party, viz, Tamil Nadu Toilers Party in 1951 under the leadership of N A Manickavelu Naicker, and S S Ramasamy Padayachi. Later there was a split in the party which led to the formation of another party, viz, the 'Common Weal Party' headed by Manickavelu Naicker. This party was based in North Arcot and Chengalpattu districts whereas the Tamil Nadu Toilers Party was strong in South Arcot and

TABLE 4: CROPPING INTENSITY AND IRRIGATION

(Percentages)

							1	
Districts	Gross Cropped Cropping Area (00 hectares Intensity** (GCA) (Per Cent)		Gross Area Irrigated (in 00 hectares)		Per Cent of Gross Area Irri- gated to GCA			
	1962-63	1 <b>9</b> 81-82	1962-63	1981-82	1962-63	1981-82	1 <b>9</b> 62-63	1981-82
Chengalpattu	4,534	3,867	140.24	133.67	3,258	3,070	71.86	79.39
North Arcot	6,766	5,258	126.39	119.96	3,368	2,455	49.78	46.69
South Arcot	6,928	7,073	122.73	126.90	3,446	3,863	49.74	54.62
Salem*	9,229	9,419	110.06	123.20	2,009	2,819	21.77	29.93
famil Nadu	72,894	69,093	119.60	`120.37	32,950	34,250	45.20	49.52

Notes . \* Including Dharmapuri District.

\*\* Cropping intensity is the percentage of gross cropped area to net cropped area. Source: Season and Crop Reports of Tumil Nadu, 1962-63 and 1981-82.

TAILE 5: OPERATIONAL HOLDINGS BY HOLDING SIZE, 1970-71 AND 1979-80, TAMIL NADU

Size Class	1976	0-71	1979-80		
(in hectares)	Number of Holdings as Per Cent to Total	Area as Per Cent of Total	Number of Holdings as Per Cent of Total	Area as Per Cent of Total	
0 - 1.00	58.81	17.14	69.74	24.73	
1.0 - 10.00	40.08	69.84	29.70	65. <b>9</b> 9	
Above 10.00	1.11	13.02	0.56	9.27	
	100.00	100.00	100.00	100.00	

Source: 1970-71—Agricultural Census 1970-71 cited in Tamil Nadu Annual Statistical Abstract 1973-74, pp 76-77. 1979-80—Statistical Handbook of Tamil Nadu, 1985, pp 148-149.

Salem districts. With the strong caste sentiments of vanniyars and staunch belief that only their own castemen can bring good to them if elected to power, these two parties together won 25 assembly seats. As the Congress was short of an absolute majority to form the government the two vanniyars parties were made to co-operate with the Congress and in return both vanniyar party leaders were inducted into the cabinet. Once inside the ministry, one after the other both parties were dissolved by their leaders and their members joined the Congress.<sup>18</sup>

One notable feature of the development of the vanniyar Sangam is that from the beginning its demands have been for a larger share in education, jobs and power while there has been a sizable section of marginal farmers and agricultural labourers among vanniyars. These demands were initiated by the clinist sections from among the vanniyars (for example, Manickavelu Naicker was a lawyer). Initiative for the above-mentioned political parties also came from the same sections. But they could enjoy a strong support from a majority of vanniyars in the name of caste identity. The leadership which emerged from the higher echelons from among vanuiyars got degenerated and betrayed the masses. In the process the leaders also got isolated. But their demands have been alive all along. Vanniyars also have a strong feeling that the political parties which they have voted to power have time and again betrayed them. Hence the vanniyars were looking for a non-party leadership which may represent their grievances. Added to this was their strong caste identity from the beginning.

This vacuum was filled up by Ramadoss who managed to unite 27 local vanniyars'

TABLE 6: UNIQUAL DISTRIBUTION OF BENEFITS

Top Nine Com- munities	Seven Com-
)n	
11.3	12.1
37.3	1.9
48.2	0.9
Rs 3.91 10	
	Rs 0.93* 0.4
	Communities on 11.3 37.3 48.2

Notes: \* Represents for lowest ten communities.

These shares are worked out from the total benefit accruing to backward castes and most backward castes.

Source: Backward Classes Commission, 1971, Tamil Nadu, Vol I, pp 186-189 and 200-201. organisations which were spread mainly across northern Tamil Nadu and formed-the 'Vanniyar Sangam' in 1980. This is the organisation which is leading the current vanniyars struggle Ramadoss has expressed his lack of faith in political parties. 19 Unlike the earlier vanniyar organisations, this time the whole organisation depended on and spread more among the lower sections of the vanniyars. This has been reflected in the massive mobilisations both during the 'rail roko' agitation in 1986 as well as the 'rasta roko' agitation in September 1987.

#### VANNIYARS VS HARIJANS

Vanniyars see harijans as potential competitors for employment opportunities and on other economic fronts. Chengalpattu, South Arcot and North Arcot are the districts where harijans form a sizable section of the population, almost equal in number to the vanniyars.20 With rising literacy levels and at least a section which is socially moving up, harijans resent the superior attitude of the vanniyars which often results in clashes. But the fact is that in both communities most of the people belong to the labouring poor competing for available opportunities which many a time leads to clashes among them. For example, vanniyars and harijans are the two communities generally bidding at auctions of fishing rights in village tanks during the off seasons. This has been one potential source of clashes among them. Another case in point is the Villupuram episode. Villupuram is a small town in South Arcot district where in July 1978, 12 persons belonging to the scheduled castes were murdered. The affidavit filed before the Sadasivam Commission, appointed to enquire into the causes that led to the riots, by K Bharathan and Brindavan Moses 21 brings out that both vanniyars and harijans are of similar economic status, who work as rickshaw pullers, headload workers, etc, yet the vanniyars have a false consciousness which prevents them from developing solidarity with the harijans.

The vanniyars' 'road roko' agitation in September 1987 was also marred by clashes between vanniyars and Harijans in several villages in which local scores were settled.22 The ruling party was only too happy to utilise this factor to create a permanant divide between the two communities. Following the consolidation of vannivars into strong organisations, the harijans started to feel more and more insecure. This feeling was reinforced by the clashes between vanniyars and harijans during the vanniyars' agitation which reduced several harijan huts to ashes. Given this, even a rumour about the arrest of a harijan leader could trigger a spontaneous uprising of harijans in several

villages in January 1988. Harijans erected road blocks in many areas by felling road-side trees, set on fire to pumpsets and houses of vanniyars and the government had to despatch seven companies of Tamil Nadu special police to control the situation.<sup>23</sup>

While the vanniyars' struggle has a democratic content in its economic demands, caste as a unit of mobilisation provides its logical anti-thesis in the form of the vanniyar-harijan clashes. This is one of the main weaknesses of the vanniyars' movement.

#### SHORTCOMINGS IN RESERVATION SYSTEM

Ramadoss states emphatically that of the 213 castes included in the backward classes list in Tamiì Nadu only a few dominaut castes have enjoyed the majority of the benefits of the 50 per cent reservation for backward classes.24 This point has already been emphasised by the chairman of the Tamil Nadu Backward Classes Commission in his report. Figures presented by him indicate that being 51.13 per cent of the population, the share of the backward and the most backward communities in education is very small in relation to their population. Of the total number of students appeared for the SSLC examination in 1970 only 33.33 per cent were from backward and most backward communities. The proportion was 40 per cent in the case of students selected for engineering colleges in July 1970. The share of the most backward communities who are estimated to comprise 22.37 per cent of the total population and 43.74 per cent of the population of backward classes was only 6.31 per cent of the students who appeared for the SSLC examination in 1970 and 3.8 per cent of the students admitted to engineering colleges in July 1970. The position is similar as far as medical colleges are concerned. The share of vanniyars (estimated to be 23.75 per cent of the total backward classes population and around 12 per cent of the total population in 1971) was 3.28 per cent of the students who appeared for SSLC in 1970 and 1.74 per cent of students admitted to engineering colleges in July 1970. The position is similar for medical college admissions also.25 Table 6 brings out these differences more sharply.

The figures clearly indicate that the existing reservation policy has not resulted in equal opportunities for all backward communities. This is a major shotcoming of the reservation system. When numerous castes are grouped together in the backward castes list and have access to a general fixed quota, the existing socioeconomic inequalities among the 'backward' communities make it possible for certain influential communities to corner

the lion's share of the benefits. This leads the backward communities which have not benefited to come up with newer demands, such as separate reservation, etc. The vanniyar's demand for exclusive reservation proportionate to their population has to be seen in this context. However, minority castes oppose proportionate reservation saying that it would greatly minimise their access to reservation benefits and instead demand rotational reservation.

Article 15(4) and 16(4) of the Indian Constitution entpower state governments to provide for compensatory reservation and positive discrimination. In Kerala separate quotas have been given to thiyyas, ezhavas, Muslims and other comntunities. In Kai iataka backward castes have been grouped under two categories. Ramadoss in his memorandum to the Tainil Nadu chief minister has asked for preference to be given (a) candidates from tural areas, (b) first generation literates, and (c) economically weaker sections within any community on the basis of some weightage for the above aspects, in order to prevent the rich section in any community cornering the benefits.26

#### CONCLUSIONS

In addition to the powerful but fimited influence of certain socio-economic factors, there is a strong caste identity among vanniyars, reinforced by their historical tendency for caste assertion, and this provides the explanation for the massive mobilisation of their new demands. Being the largest backward community their numerical preponderance adds to their strength and their movement has a power-I'ul rural thrust. Their demand for exclusive reservation, being an outcome of the failure of the existing reservation system, has both positive and parochial elements. Caste as a unit of mobilisation. though for certain democratic demands, leads to its logical anti-thesis in the form of caste classes. The failure of the reservation system and the emergence of caste associations with strong support underscore the failure of the Dravidian parties which claim to champion the causes of the backward castes.

The government now has two options. One is to appoint yet another commission to put the issue in cold storage and the other is to partially grant the vanniyars' demand and thereby invite similar demands from other communities. Whatever option is exercised there is going to be disorientation and disarray among vanniyars, especially among the youth, because the tendency to confine the entire vanniyar movement to a single point demand will have its logical outcome. Even if the demand is conceded, in the absence some special criteria to prevent a

minority from cornering a lion's share of the benefits, it will not yield the desired results. Hence the government should delete some of the so-called backward communities from the list and introduce some criteria to ensure that the benefits accrue to the really deserving.

However the vannivars' agitation and the harijans uprising as a response to this pose a severe test to the revolutionary movement which has a relatively better mass base among the harijans. In this situation the revolutionary movement should assimilate the democratic components of both the communities outflanking their parochial consciousness.

#### Notes

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- 16 Ibid, pp 1-28 Thurston's account is based on a lew books written by vanniyars themselves as far back as the end of 19th century and the beginning of 20th century.
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#### INFANT MORTALITY IN INDIA

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## Rupee Depreciation in Vain

There has been a significant shift in the government's exchange rate policy since 1986 in order to keep the rupee-dollar parity stable to the neglect of the rupee's relation with the other major currencies. The implications of this policy for import costs and domestic inflation too have been ignored.

WITH the collapse of the Bretton Woods system of stable exchange rate in early 1973, the international monetary scene has been characterised by a variety of exchange rate systems which co-exist with one another. Thus most of the industrialised countries operate some form of managed floating rate. A number of European countries led by the Federal Republic of Germany had formed the European Monetary System with fixed rates for participating members and floating rates relative to all other countries. A large number of developing countries have fixed rates in relation to the dollar or some other dominant currency. A few other currencies are aligned to the Special Drawing Rights or to a similar basket of currencies. In both these cases revision in the parity rates is made through what is known as the 'crawling peg' method.

In retrospect, the adoption of the floating rates system was actuated by the compulsion of circumstances arising from the collapse of the fixed rate system rather than by any conviction as to the merits of the flexible exchange rate system. Initially floating rates were regarded as merely a measure of crisis management. Subsequent efforts at reforming the international monetary system were aimed at evolving stable but adjustable par values. However, the oil crisis and the inflation and recession that followed created serious external imbalances for the major countries which totally ruled out the possibility of a return to fixed exchange rates.

The floating exchange rate system is credited with such advantages as quicker adjustment in the payment system of most of the countries and hedging of countries against imported inflation. These advantages are often outweighed by the disadvantages inherent in the system. These are (a) possible reduction in the volume of international trade by creating uncertainty about profits to be made from international transactions; (b) restriction of the international flow of capital by reducing both direct investment in foreign operations facilities and portfolio investment; and (c) raising of prices for internationally traded goods through risk premiums to cover unanticipated fluctuations.

In regard to the developing countries,

the system has apparently weakened their ability to pursue an independent exchange rate policy. They are forced to design their policies in tune with those pursued by the capitalist developed countries. There is a growing feeling that "the exchange rate

variability has hurt the developing countries" because the recent variations in exchange rates have reflected not "the changing pattern of the competitiveness but ... differences in fiscal and monetary policies in which industrial countries have chosen macro-economic policies independently without serious consideration of their impact on the world economy". That is to say, a country whose currency is de facto pegged to the US dollar has perforce to revise its exchange rates in tandem with the dollar's volatile movements, caused by a host of factors both economic and noneconomic. Under the fixed exchange rate system the revision of the parity rate had been few and far between.

TABLE 1: TRENDS IN EXTERNAL VALUE OF REGILE

Average for the Month	January	December	January		S Over the
	1987 (1)	1987 (2)	1988 (3)	Month (4)	Year (5)
\$/rupee (middle rate)	13.040	12.953	13.038	- 0.65	- 0.02
DM/rupee (buying rate) Yen/rupee (100 yen	7.018	7.899	7.911	- 0.15	11.29
buying rate)	8.441	10.041	10.225	1.80	-17.45
t/rupee (middle rate)	19.636	23.659	23.603	0.24	16.81

TABLE 2: INDIA'S EXCHANGE RATES WITH MATOR CURRENCIES

Average of Months	Dollar	Deutsche Mark	Yen (100 Yen)	Pound Sterling
1980	7.863	4.326	3.468	18.292
1981	8,659 (~9.2)	3.831 (14.5)	3.926 (11.7)	17.560 (+4.2)
1982	9 455 (8.4)	3.896 ( 1.7)	3,796 (3.4)	16.551 (+6.1)
1983	10 099 ( 6.4)	3.955 (-1.5)	4 252 (-10.7)	15.320 (+8.0)
1984	11.363 (-11.1)	3.993 (1.0)	4.784 ( 11.1)	15.184 (+0.9)
1985	12 369 (-8.1)	4.201 ( 4.9)	5.185 ( 7.7)	16.034 (- 5.3)
1986	12.611 ( 1.9)	5.808 ( 27.7)	7.483 $(-3.7)$	18.500 (13.3)
1987	12.961 (2.7)	7.219 (-19.6)	8.973 ( 16.6)	21.236 ( 12.9)

Note: Percentage appreciation/depreciation over the year is indicated in brackets.

TABLE 3: INDIAS FOREIGN TRADE

	us	Germany	Japan	UK
India s <sub>.</sub> Imports	from Major Coun.	tries (proportion to t	otal)	
1975-76	24.41	7.03	6.86	5.39
1980-81	12 10	5.53	5 97	5.83
1981-82	10.39	6.93	6.48	5.98
1982-83	9.55	5.58	7.45	6.17
1983-84	11.36	7.11	9.24	7.25
1984-85	9.71	7.56	7.22	5.93
1985-86	10.56	7.81	9.11	6.32
1986-87	9.78	9.63	12.73	8.08
India's Exports	to Major Countrie	s (proportion to tota	·I)	
1975-76	12.86	2.92	10.71	10.42
1980-81	11.09	5.74	8.91	5.89
1981-82	11.79	4.50	8.84	5.38
1982-83	10.66	3.85	8.92	5.13
1983-84	14.14	3.80	8.37	5.63
1984-85	14.91	3.97	8.95	5.65
1985-86	18.11	4.60	10.82	4.89
1986-87	18.78	5.89	10.69	5.86
India's Balance	of Trade with Maj	or Countries (Rs cro	re)	
1975-76	- 765	- 252	+72	+137
1980-81	- 775	309	-151	-336
1981-82	- 500	- 242	196	- 397
1982-83	-421	-458	- 275	- 429
1983-84	395	· 745	630	- 587
1984-85	+ 101	827	-179	- 349
1985-86	-92	-1035	-607	- 710
1986-87	+ 394	1194	1214	886

TABLE 4: FOREIGN EXCHANGE RATE HIGHEST AND LOWEST
(Foreign Currency Unit--- Rs)

		n	··	· ·		3 41 3 41		
		Highest	Buying		Selling		Middle Rate	
		rignesi	Lowest	Highest	Lowest	Highest	Lowest	
h 142 #	January 1988	13.123	12.771	13.170	12.884	13.147	12.860	
US \$	January 1987	13.038	12.903	-	_			
Deutscho	January 1988	8.137	7.752					
Mark	Lanuary 1987	7.27	6.76		-			
100	(January 1988	10.582	10.020				-	
<b>\</b> en	January 1987	8.61	8.18					
	(January 1988	24.110	23,160	24.190	23,240	24.150	23 200	
Pound	January 1987		19.210	20.040	19 290	20,000	19,250	

Consider India's case. Between 1950 and 1970 the par value of the rupee visa-vis the dollar was revised only twice, from Rs 4.762 per dollar to Rs 6.359 per dollar in 1986 and then to Rs 7.50 in 1967 which rate remained in force till the Smithsonian agreement which was signed in 1971. Subsequently the rupee experienced considerable instability and the rates ranged between Rs 7.501 and Rs 12.611 per dollar during 1971 through 1986. The rupee had been on a downward course throughout the period. Though this may not be warranted by trade considerations. since the rupee is pegged to the dollar, the monetary authorities are forced to revise the parity rate almost every alternate day. Illustratively, in 1985-86 (July-June) the rupees parity rate was revised 149 times and in 1986-87 141 times. It is relevant to ask whether India would have altered the rates had the US averted the collapse of Bretton Woods system.

Table 1 depicts the behaviour of the external value of the rupee vis-a-vis the dollar, deutsche mark, the yen and the pound sterling in the period between 1980 and 1987. It is evident that the external value of the rupee suffered scrious erosion against all the major currencies. The order of depreciation was noticed to be significant in relation to yen, deutsche mark and pound sterling in 1986 and 1987. Significantly, until 1984 the pound was made to depreciate against the rupee. In relation to the US dollar the extent of devaluation was marked until 1986. Thereafter it was modest at about 2 per cent as against an annual average devaluation of about 24 per cent, 11 per cent and 13 per cent against the DM, the yen, and pound sterling, respectively. In other words, there seems to have taken place a significant shift in policy since 1986, in order to keep the rupee-dollar parity stable to the total neglect of the rupee's relation with the other major currencies. The implication of this policy for import cost and domestic inflation does not seem to have received the attention it deserved. Nor has it been of help in achieving the intended results. For even with a deliberate policy to depreciate the rupee in relation to the mark, India's negative trade balances with Germany increased from Rs 232 crore in

1975-76 to Rs 1,194 crore in 1986-87. The trade balance with Japan worsened from a surplus of Rs 72 crore to a negative position of Rs 1,214 crore during the same

period. Similarly, with the UK the negative trade balance in 1986-87 amounted to Rs 886 crore as against a favourable balance of Rs 137 crore in 1975-76. This suggests that the rate of increase in exports to these countries was at a lower pace than the rate of growth in imports from them, the marked depreciation of the rupee notwithstanding. Trends in the external value of the rupee in the recent period are indicated in Table 1. It can be seen from the table that the rupee continued to be appreciably devalued particularly against the yen, DM and pound. Table 2 depicts the fluctuations in the buying, selling and middle rates of the Indian rupee against the important currencies in recent months.

## Wage Goods Centred Inflation

The rise in the wholesale price index in the first 10 months of 1987-88 was the highest since 1980-81 and the largest contribution to the rise came from wage goods including cereals and pulses.

DURING the first 10 months of the fiscal year 1987-88, inflation measured in terms of the wholesale price index recorded a rise of 9.5 per cent—the highest since 1980-81. Wage goods like cercals, pulses, milk, sugar, gur and edible oils together contributed about 41 per cent to the general price rise, which was markedly higher than their contribution of 36 per cent last year. Industrial raw materials like

fibres and oilseeds was responsible for another 25 per cent of the rise, somewhat smaller than their share of 28 per cent in 1986-87. The upward revision in the prices of coal, iron and steel and petrol in December 1987 and the periodical revision in electricity tariffs and in the prices of non-ferrous metals like zinc, nickel, etc, pushed up the contribution of the administered prices group to 16 per cent to

## BRPC BOOKS

#### **BIRTH OF NON CONGRESSISM**

#### MADHU LIMAYE

The first well-documented account of Opposition politics in India describes the interaction of the political forces in the country: Ruling Party and the Opposition, Right 'and Left, 'Socialists and Communists and the gradual decline of the Institutions that set in after 1962. The book incidentally illustrates the operation of the theme of withdrawal and return in the case of Jay Prakash Narain. It provides a profile of Dr. Ram Manohar Lohia's efforts to elevate politics morally and his subsequent call for a non-Congress electoral combination. This strategy shook the foundation of the Congress Party.

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the general price increase as compared to 7 per cent last year.

The whole sale price index recorded an increase of 9.2 per cent during the calendar year 1987, the highest since 1983 when the rise had been 10.8 per cent (Table 1). Consumer articles as a group in the wholesale price index moved up by 11 per cent during the year as compared with 5.8

per cent in 1986. The rise in prices of cereals accelerated to 10.4 per cent in 1987 from 6.1 per cent in the previous year. All important cereals, viz, rice (9.8 per cent), wheat (8.7 per cent), bajra (13.5 per cent), barley (38.5 per cent), maize (26.6 per cent) and ragi (10.7 per cent), came under inflationary pressure during the year. Compared to a decline of 17.1 per cent in

TABLE 1: TRENDS IN WHOLESALE PRICE INDEX (Calendar year, point-to-point)

	Weight	1987	1986	1985
All commodules	1000 00	9 2 (100.0)	6,2 (100.0)	5.4 (100.0)
Primary articles	416.67	11.2 (47.2)	6.5 (40.7)	2.7 (20.0)
l-uel, power, light and lubricants	84 59	5.2 (7.8)	6.5 (14.5)	12.0 (29.0)
Manulactured products	498.74	8.7 (45.0)	5.8 (44.8)	5.7 (51.0)

Note: Figures in brackets represent weighted contribution

TABLE 2: TRENDS IN WHOLESALE PRICE INDEX (Base 1970 71 = 100)

	Weight	1987	1986	1985	1984	1983
***************************************			•			
All Commodities	1000.00	9.2	6.2	5.4	5.7	10.8
Consumer articles*	569.54	11.0	5.8	93	3.5	15.1
Cereals	107,43	10.4	6.1	96	4.9	5.2
Rice	51.31	9.8	9,0	5.4	4.8	5.5
Wheat	34 17	8.7	8.3	94	5 (1	17
Jowar	8.39	2.2	7.0	1,9	79	24.6
Варга	5.64	13.5	5.6	39.6	- 2.2	2.0
Barley	2 33	5.5	21.3	21.0	2.5	3.7
Maize	1.38	26.6	67	36.6	5.3	5.9
Ragi	1 21	10.7	1 (	11 3	94	24 7
Pulses	21 79	36.5	17.1	3.0	19.8	30 0
Gram	10.39	31.6	15.8	9.2	39 2	34.6
Arhar	5.24	55.7	37.1	5.4	24.9	29.7
Moong	2.55	40.2	11.8	95	32.8	24.6
Unad	2.03	23.2	2.2	3.9	7.8	40.2
Frints and vegetables	61.32	5.3	12.4	32.0	6.8	26.3
Potatoes	10.15	8.0	41) 3	30.8	21.1	69.5
Onions	1 94	15.9	39.4	36.5	- 40.3	25 2
lapioca	5.22	25.5	8.6	94.5	- 38.7	8.4
Tomatoes	1.49	36.5	40.1	2.8	48.8	- 3.8
Green peas	1.29	34.7	- 16.2	5.6	25.2	9.6
• Canlitlower	j 🤄	82.1	14.2	48.5	14.3	14 2
Milk and unlk products	61.50	15.5	33	2 ≀	2.6	16.6
Milk	¥5 19	13.9	1.1	63	2.4	13.7
Fgg, fish and meat	is 97	3.1	7 ,	13.4	12.4	0.8
Condinents and spices	10.94	44.2	14.3	21.6	38 3	31.3
Chillies	5.02	102.1	46.1	35.7	164.3	19
Other food articles	16 04	11.4	5.3	10.8	8 ()	51.5
lea	11 49	91	4.2	13.9	5 9	53.9
•	72 41	4.3	21	16.5	9.5	24.3
Sugar group	21 91	10	30	20.5	-48	7.1
Sugai	45.58				•	32.6
Gur	37.16	5.8	16 37.5	14 8 7.0	10.5 - 1.8	21.2
Edible oils		19.0	25.8	• · · ·	6.2	9,6
Groundnut oil	14.15	25.4		14		
Mustard oil	6.68	40.5	51.7	6.9	33.4	56.1
Cocount oil	3.50	<b>X</b> 7	80.2	52.1	16.5	59.2
Cotton textiles	81.02	10,6	0.4	0.8	5.9	2.9
Soap, etc	5.86	19.8	6.6	13.7	14.8	13.4
Industrial raw materials**	112 66	25 7	13.3	12.2	7.2	19.5
Raw cotton	22,46	42.3	10.0	16.7	0.3	23.4
Raw inte	4 29	22.6	59	73.8	146.6	48.4
Groundnut	18/21	34.2	4) "	3,3	6.1	17.8
Rape and mustard seed	8.22	39 ()	49.6	8.1	34.1	65.4
Copra	4 49	7.4	92.1	55.3	10.3	61.2
Administered prices	156.67	2.1	4.0	10.2	6.0	29
Coal	10.39	17.6	13.8		12.1	14.0
Electricity	24.00	10.2	11.8	20,0	8.8	12.8
fron and steel	34 73	12.7	0.6	15.4	11.6	7.0
Non-ferrous metals	11.78	16.9	1.5	47	11.6	9.7

Composite index of cereals, pulses, fritis and vegetables, milk and milk products, condiments and spices, egg, fish and meat, tea, coffee, betel nuts, kerosene, sugar, gur, etc, edible oils, eigarettes, bidi, etc, cold drinks, cotton textiles, drugs and formulations, footwear, soap, tooth powder, face powder, tooth paste, hair oil, etc. Composite index of fibres, oilseeds and other non-food articles metallic minerals, other

1986 pulses prices went up by as much as 36.5 per cent, reflecting higher increases in the prices of gram (31.6 per cent), tur (55.7 per cent), moong (94.2 per cent) and urad (23.2 per cent). Even though commoditics like potatoes, cashew nuts and tapioca with higher weights registered a fall in prices during the year, the spurt in the prices of onion, tomatoes, green peas, cauliflower, etc., pushed up the overall index of fruits and vegetables by 5.3 per cent in 1987 which nonetheless was lower than the increase of 12.4 per cent last year. Disparate trends were witnessed in the movement of prices among the commodities in the sugar group, which as a group went up by 4.3 per cent in 1987 compared to 2.1 per cent in 1986. While the rise in sugar prices was lower, that in gur prices was more than that recorded in 1986. Supply of sugar (production + import) increased much faster from 10.2 million tonnes to 11.4 million tonnes than the increase in internal consumption of sugar from 8.3 million tonnes to 9.0 million tonnes.

Industrial raw material prices recorded an increase of 25.7 per cent in 1987 as prices of fibres like raw cotton and raw jute and oilseeds like groundnut and rape and mustard seed moved up significantly. The runaway increase in the prices of raw cotton (42.3 per cent against 10 per cent in 1986) and raw jute (22.6 per cent compared to 5.9 per cent) pushed up prices of fibres by 37 per cent against a lower rise of 9.2 per cent in 1986. Production of both raw cotton and raw jute during the vear was much lower than last year. Arrivals of new crops in the market also did not dampen the price spiral, thanks to the reported stockpiling of raw cotton by cotton textile mills. Oilseeds prices were higher by 28.2 per cent in 1987 as compared to 25.7 per cent in 1986 mainly due to rise in prices of groundnut (34.2 per cent) and rape and mustard seed (39 per cent). Productions of both groundnut and rape and mustard seeds registered declines over the year. As a sequel to the rise in prices of oilseeds, edible oils prices went up by 19 per cent ln 1987. Against a demand for about 52 lakh tonnes of edible oils production has been estimated at 35 lakh tonnes.

The increase effected in the prices of coal, iron and steel and petrol in December 1987 and the periodic upward revision in the prices of non-ferrous metals and electricity gave momentum to the rise in administered prices which as a group went up by 2.1 per cent against 4 per cent last year. Prices of commodities like coal, iton and steel and petrol had remained almost stable till December 1987 when sharp increases in prices were effected. This trend was offset to some extent by the sharp decline of 38 per cent in the prices of crude petroleum.

Include items like coal, mineral oils, electricity, crude, cement, fertilisers, iron and sicel and non-ferrous metals.

## Indo-Pak Trade: Possibilities of Expansion

P S Mirza

Despite major items of imports and exports of India and Pakistan being identical, there are still scores of items in which the two countries can trade with each other.

THIS note explores the possibilities of expanding Indo-Pak trade. We present annual data on Indo-Pak trade for the years 1981-82 to 1985-86, focusing on the main commodities involved, as also, recent developments in Indo-Pak trade. An attempt is made to identify commodities in which Indo-Pak trade could be stepped up.

#### TRENDS IN INDO PAK TRADE

Data on India's imports from Pakistan and exports to Pakistan during 1981-82 to 1985-86 are given in Table 1. The Table shows that in each of the years 1981-82 to 1985-86, India's imports from Pakistan were far in excess of India's exports to Pakistan, and therefore India had a recurring trade delicit with Pakistan. For the five-year period 1981-82 to 1985-86, as a whole, India's imports from Pakistan amounted to around Rs 155 erore which was as much as three times the value of India's exports to Pakistan. The commodity composition of Indo-Pak trade for one year, viz, 1983-84 is given in Table 2.

It may be relevant to mention here that while India had an adverse trade balance year after year in respect of its trade with Pakistan, she enjoyed substantial trade surpluses with the other major SAARC countries, viz, Bangladesh, Nepal and Sri Lanka (Table 3).

India's adverse trade balance with Pakistan was the result of restrictions imposed by the Pakistan government on imports from India. In July 1978, the Pakistan government had barred its private sector from importing from India. These restrictions were relaxed in November 1982, when the private sector in Pakistan was allowed to import 40 specified items from India, but only through the Trading Corporation of Pakistan (TCP), a state trading agency. In January 1986, India's finance minister V P Singh, had intensive negotiations with his counterpart Mahbulbul Haq. In terms of the agreed record of discussions signed by the two ministers, the Pakistan government allowed the private sector in Pakistan to import 42 specified items from India directly, i e, without routing the imports through ICP. It was also agreed that a committee would be set up by the Pakistan government to recommend additional items which its

private sector would be allowed to import from India. The two governments also agreed to double within a year, the quantum of bilateral public sector trade. It was indicated that the public sector in Pakistan was interested in importing from India iron ore, manganese ore, wheat and pesticides, and exporting to India urea, cotton, lubricating oil and iron and steel products. It was also decided that joint business committees comprising representatives of the federations of chambers of commerce and industry of the two countries would be set up to bring the industrialists of the two countries closer, to explore the possibility of joint ventures and to promote trade. Not much progress, however, appears to have been made in the last two years for expanding Indo-Pak trade,

#### FORLIGN TRADE OF PAKISTAS

Table 4 gives data in respect of Pakistan's foreign trade for the years 1981-82 to 1985-86. Over the four year period, exports rose by 89 per cent from Rs 2,627 erore in 1981-82 to Rs 4,959 erore in 1985-86, and imports went up by 53 per cent from Rs 5,948 erore to Rs 9,095 erore. The trade deficit after widening from Rs 3,321 erore in 1981-82 to Rs 5,180 erore in 1984-85, narrowed down to Rs 4,136 erore in 1985-86.

Only five commodities accounted for as much as 74 to 80 per cent of total exports, of which only one item's share, viz. that of textile yarn and fahries in total exports was as much as 35 to 40 per cent in the three years 1983-84 to 1985-86

(Table 5). Footwear, I'sh and tobacco and tobacco products were the other main items of exports; their exports in the last three years ranged between Rs 21 crore and Rs 25 crore in case of footwear, Rs 10 crore and Rs 46 crore in case of fish and Rs 14 crose and Rs 49 crose in case of tobacco, and tobacco products. In respect of a few items, there were both exports and imports. Lither exports far exceeded imports or exports were more or less of same magnitude as unports. Commodities in respect of which exports far exceeded imports were (i) here minutes chiefly for food (exports in 1985/86 were Rs 14 crore and imports Rs 5 cioic), tid such and honey (exports to 1984.85 were Rs 37 crore and imports Rs a crore) and (in) animal feeds (exports in 1985-86 were Rs II crose and imports Rs 2 crore). Commodities in respect of which both exports and imports were more or less of same magnitude included fir electables and fruits (exports to 1985-86 were Rs 75 crore and imports R . S., crore), (ii) spices (exports in 1985-86 were Rs 18 grote and naports Rs 15 crose), and (cr) wool and other annual hair (exports in 1985-86 were Rs. 29 crore and imports ks 74 crore)

Table 6 below shows main items of imports into Pakistan to a value exceeding Rs 100 crore in 1988-86) in the three years 1983-84 to 1985-86. A smale item, perio-Jenni and petroleum products, accounted for about one lourth of total imports in 1983-84 and 1984-35 and nearly one-tilth of total imports at 1985-86. Different types of machinery came next accounting for about 17.19 per cent of total imports in the three years 1983-84 to 1988-86. Other major items of imports were (i) vegetable oils and lats which accounted for 7-9 per cent or total naports, (ii) road vehicles which accommod for 5-6 per cent, (iii) non and steel which accounted for about 4 per cent, (a) tea and mate for 2.4 to 3.9 per cent, (v) wheat for 1.1 to 5.2 per cent, (vi) organic chemicals for 18 to 2.3. per cent. (vii) medicinal pharmaccutical products for 2/2 to 2/5 per cent, (vin) fee-

TABLE I. INDIA'S IMPORTS FROM PARISTAN

(Rs Crore)

	India's Imports from Pakistan		India's Pa	Trade Balance	
	Value	Per Cent Share in India's folal Imports	Value	Per Com Shate in India's fotal Exports	(Deficit)
1981-82	54.70	(14(1	4 95	0,56	- 49,75
1982-83	32 28	0.23	6.60	0.07	25 68
1983 264	27.79	0.18	11.77	0.42	16 02
1984-85	15.77	0.09	12.95	O ft	2.82
1985-86	25.06	0.13	17.03	0.15	- 8.03
Total	155.60	i) 19	53.30	0.41	107 30

Source: Annual Reports of Ministry of Commerce, Government of India

tiliser (manufactured) for 2 to 2.3 per cent, (ix) chemical material and products for 1.6 to 2.3 per cent, (x) paper, paper board, etc, for 1.5 to 1.7 per cent, and (xi) textile yarn, fabrics, etc, for 2.0 to 2.6 per cent.

Other items of imports of the value of Rs 30 crore and above in any year (1983-84 to 1985-86) were: (i) milk and cream, (2) crude rubber, (3) synthetic fibres suitable for spinning, (4) crude fertiliser and minerals, (5) coal, coke and briquettee, (6) animals, oils and fats, (7) inorganic chemcials, (8) dyeing, tanning and colouring material, (9) rubber manufactures,

TABLE 2: COMMODITY COMPOSITION OF INDO PAK TRADI

	Rs( tore	Per Cent of Total
A Main Items of Impo	rts	
into India from		
Pakistan		
Iron and Stecl	10.49	37.4
Urea	5 91	21 1
Dates	5.62	20.0
Mctalliferous ores		
and metal scrap	1 39	5.0
Cotton fabric woven	1 27	4.5
Common salt, rock sa		3.0
Crude veg material	0.67	2.4
Fabrics woven of		
Man-made fibre	0.54	1.9
Textile yarn	0.39	1.4
Rubber ring	0.23	0.8
Total	27.35	97.5
B Main items of		
exports from India		
to Pakistan		
Iron ore and		
concentrate	3.52	28.5
Crude veg materials	2.81	22.8
Onions	2.31	18.7
Tea	1.55	12.6
Spices	0 72	5.8
Bleaching powder	0.25	2.0
Baby carriages, toys,		
ganies and sporting		
goods	0.21	1.7
Dyeing and tauning		
extracts and syntheti	c	
tanning material	0.13	1.1
Glassware	0.13	1.1
Aluminium phosphate		0.9
Total	11.74	95.2

Source: Economic Profiles of 40 Major Countries, Centre for Monitoring Indian Economy, March 1987.

TABLE 4: PAKISTAN'S FORFIGN TRADE 1981-82 to 1985-86

(Pak Rs Crore)

		,	
	Exports	Imports	Trade Deficit
1981-82	2627	5948	3321
1982-83	3444	6815	- 3371
1983-84	3734	7671	3937
1984-85	3798	8978	5180
1985-86	4959	9095	4136

(10) lime, cement and fabricated construction material, (11) non-ferrous metals, (12) manufactures of metals, (13) metal working machinery, (14) office machines and automatic data processing equipment, and (15) photograhic apparatus, equipment and supplies and optical goods, watches and clocks.

## IDENTIFYING PRODUCTS FOR EXPANDING INDO-PAK TRADE

For identifying commodities in which Indo-Pak trade could be built up, commodities entering into the foreign trade of India and Pakistan have been classified broadly into the following four groups:

- (I) Commodities Exported by Both India and Pakistan
- 1 Live animals chiefly for food
- 2 Fish
- 3 Rice (India imports also)
- 4 Sugar (including preparations)
- 5. Tobacco and tobaceo manufactures
- 6 Cotton (India imports sometimes)
- 7 Leather and leather manufactures
- 8 Textile yarn, fabric and made-up articles (both India and Pakistan are importing also)
- 9 Footwear

- (II) Commodities Imported by Both India and Pakistan
- 1 Milk and cream
- 2 Wheat
- 3 Crude rubber
- 4 Synthetic fibre
- 5 Crude fertiliser
- 6 Metalliferous ores and metal scrap (India is exporting large quantity of iron ore and small quantity mica, manganese ore, minerals, etc)
- 7 Petroleum and petro-products
- 8 Fixed vegetable oil
- 9 Organic chemicals
- 10 Inorganie chemcials
- 1 Dyeing, tanning and colouring material
- 12 Medicinal and pharmaceutical products
- 13 Fertiliser manufactures
- 14 Paper, paper board manufactures
- 15 Iron and steel (India and Pakistan export also)
- 16 Non-ferrous metals
- 17 Manufacturing of metals
- 18 Machinery including transport equipment (India exports also)
- (111) Commodities Exported by India but Imported by Pakistan
- 1 Tea and mate
- 2 Spices (Pak exports also)
- Oilseeds and oleagmous fruits (Pak exports also)

TABLE 3: INDIA'S TRADE BALANCE WITH BANGLADISH, NEPAL, SRET ANKA

					(Rs Crore)
	1981 82	1982-83	1983 84	1984-85	1985 86
Bangladesh					
India's exports to					
Bangladesh	64 98	37.20	57.40	106.75	144.03
India's imports from					
Bangladesh	18.78	9.64	10.28	45.51	9.72
Itade balance	+ 46 20	+ 27.56	+ 47.12	+61.24	+134.31
Nepal					
India's exports to					
Nepal	77.50	83.89	107.92	106.46	141.64
India's imports from					
Nepal	51 01	52.00	45.83	62.35	50.27
Trade balance	+ 26.49	+ 31.89	+62.09	+ 44.11	+ 91.37
Sri Lanka					
India's exports to					
Sri Lanka	51.23	97.33	107.72	126.83	83.33
India's imports from					
Sri Lanka	42.01	12.25	37 30	9.45	11.28
Trade balance	+9.22	+85.08	+70.42	+117.38	+72.05

TABLE 5: FIVE MAJOR ITEMS OF EXPORTS FROM PAKISTAN

(Pak Rs Crore)

Commodities	198	3-84	198	34-85	1985-86		
	Value	Percentage of Total Exports	Value	Percentage of Total Exports	Value	Percentage of Total Exports	
Rice	569	15.2	334	8.8	553	11.2	
Cotton	197	5.3	451	11.9	838	16.9	
Leather, leather products and							
dressed fur skins	204	5.5	238	6.3	298	6.0	
Textile yarn fabries, etc	1482	39.7	1441	37.9	1752	35.3	
Articles of apparel, and							
clothing accessories	340	9.1	340	8.9	548	11.1	
Total 5 items	2792	75.0	2804	73.08	3989	80.4	

Source: Annual Reports of the State Bank of Pakistan.

TABLE 6: MAIN ITEMS OF IMPORTS INTO PARISIAN

(Pak Rs Crore)

Commodities	198	33-84	198	34-85	198	5-86
	Value	Percen- tage of Total Exports	Value	Percentage of Total Exports	Value	Percentage of Jotal Insports
1 Wheat (including spelt)						
and meslin unmilled*	86	1.1	275	3.1	472	5.2
2 'lea and mate	257	3.3	3.51	3.9	217	2.4
3 Metalliterous ores and						
metal scrap	79	1.0	84	0.9	103	1.1
4 Petroleum, petro-products						
and related materials**	1916	25.0	2176	24 2	1677	18.4
5 Vegetable oil and fats	652	8.5	695	7.7	613	67
6 Organic chemicals	153	2.0	159	1.8	208	23
7 Medicinal pharmaceutical						
products	180	2.3	197	2.2	224	2.5
8 Fertiliser mfgd products*	154	2.0	179	2.0	208	2.3
9 Chemical material and						
products n s	120	1.6	180	2.0	209	2.3
10 Paper, paper board &						
articles of paper, pulp of						
paper or of paper board	114	1.5	152	17	158	17
11 Textile yarn, fabrics						
made-up articles, etc + +	196	26	196	2.2	181	2.0
12 fron and steel*	309	4.0	321	3.6	333	37
13 Mfgrs of Metals ns*	100	1.3	94	1.0	114	1.3
14 Power generating						
machinery and equipment	129	1.7	283	3.2	274	3.0
15 Machinery specialised						
för particular industries	617	8.0	647	7 2	688	7.6
16 General industrial						
machinery and equipment						
n s and machineparts	224	2 9	249	2.8	275	3 ()
17 Telecommunications and						
sound record and						
reproducing apparatus and						
equipment	68	0.9	102	1 1	145	1.6
18 Flectrical machinery,						
apparatus and appliances						
n s and electrical parts						
thereof, etc	239	3 1	248	2.8	311	3 4
19 Road vehicles	456	5.9	455	5 1	526	5.8
20 Professional scientific and						
controlling instruments						
and apparatus n s+	71	0.9	83	0.9	126	1.4
Imports of 20 items	6t20	79.8	7126	79.4	7062	77 h

Notes: \* There were some exports also in all years/some years.

- \*\* There were some exports also, but imports were 30-40 times the value of exports.
- + There were substantial exports also.
- ++ This is actually an export item; exports of these in all years were several times the value of imports.

Source: Annual Reports of the State Bank of Pakistan.

- 4 Chemical and allied products (India imports also)
- 5 Rubber manufactures
- 6 Wood, cork and manufactures
- 7 Machinery (India imports also)
- (IV) Commodities Exported by India, but which do not appear in main items of exports/imports of Pakistan
- l Meat and meat preparations
- 2 Coffee and coffee substitutes
- 3 Oilcakes
- 4 Iron ore, manganese ore, mica, other minerals
- 5 Stone, send and gravel
- 6 Shellac, seedlac, gums, resins and bulsums
- 7 Coir manufactures

- 8 Jute manufactures
- 9 Carpets, mill-made and hand-made
- 10 Handicrafts
- 11 Plastics and manufactures thereof
- 12 Glass and glass ware
- 13 Travel goods
- 14 Sports goods

It will be seen from the above lists I and II that the main items of imports and the main items of exports of both India and Pakistan are more or less the same. It was for this reason, that Pakistan's representative at the SAARC Standing Committee meetings opposed inclusion of 'trade as an area of co-operation among SAARC countries. He had observed that trade of SAARC countries was compe-

titive.

List III gives seven commodities, viz, tea and mate, spices, oilseeds and oleaginous fruits, chemical and allied products, rubber manufactures, wood cork and manufacture and machinery (including transport equipment) which find place in India's export list and Pakistan's import list. In 1983-84, as against Pakistan's total imports of tea and mate of Rs 257 croic, imports from India were negligible at Rs 1.55 crote only. In spices also, in Pakistan's total imports of Rs 18 crore. India's share was only Rs 72 lakh. Pakistan could be persuaded to meet a sizeable part of its requirements of these items through imports from India, provided India is in a position to supply these on competitive terms.

List IV gives 14 items which India has been exporting, but which do not appear in list of main items imported by Pakistan. Pakistan might be importing several of these items in small quantities and could be persuaded to import from India.

Adequate information is not available regarding the thousands of small items in which India and Pakistan can trade with each other. Some steps should be taken to amprove the information system. Perhaps the commerce ministries in the two countries should furnish to each other the detailed list of their imports and exports and this can be followed up by exchange of trade delegations. If this is done, it is likely that Indo-Pak trade could be expanded over the next 5-7 years.

Despite major items of imports and exports of India and Pakistan being identical, there are still scores of items in which the two countries can trade with each other. If the respective governments take steps to facilitate intra-tegional trade, the trade between the two countries would surely expand and reach a higher level.

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#### BALANCE SHEET AS AT 31ST DECEMBER, 1987

### **Bombay Branch**

31st December 1986 Ro. Po.	CAPITAL AND LIABILITIES  Rs. Ps.	Rs Ps	31st December 1987 Rs. Ps	31st December 1986 Rs Ps	PROPERTY AND ASSETS RV PS	Rs Ps	31st December 1987 Rs Ps
20,00,000 00	1. Capital.  Deposited with Reserve Bank of India under Section 11(2) of the Banking Regulation Act 1949—Central Government Securities of the face value of Rs 20,00,000/ Market value Rs (20,00,000) included under investments on the opposite side	20,00,000 00		1,20,74,386 88 27,17,341 84 NIL	I. Cashi In hand and with Feserve Bank of India and State Bank of India (including Foreign Currency Notes)  2. Balances with Other Banksi (A) On Current Account (i) In India 5.87,539 71 (ii) Outside India 1,92,798 81		62,85,641 92
	2. Reserve Fund and Other	10,14,000		27,17,341 83	(B) On Deposit Account	7,80,338 52	
NII	Reserves: 3. Deposits and Other Accounts:		NIL	10,00,000 00 N11 10,00,000 00	(i) In India 10,00 000 00 (ii) Outside India NIL	10,00,000 00	
NIL	Fixed Deposits (t) From Banks SH (ii) From			37 17,541 85 1,50,00,000 00	3. Money at Call and Short Nutlees		17,80,538 52 2,90,00,000 00
38.33,685 23 38.33,685 23 19,12,624 82	Others 2.21 *9 004 17  Savings Bank Deposits Current Accounts Current Accounts etc.	2,24,79,084 17 68 31,038 50			4. Investments (A) Cost (i) Securities of the Central 2nd State Governments and other Trustee Securities in- cluding Treasury Bills of		
NII 65,34,350 75 65,34,350 75	(I) From Banks NII (II) From others 1,12,59 319 05	1 12.59, 119.05	4,05,69,460 72	20,00 000 00 NIL NIL NIL	the Central and State Covernments (ii) Shares (iii) Debentures or Bonds (iv) Other Investments	1,24,95,900 00 NIL NIL NIL	
1,22,80,660 80	4. Borrowings from Other Banking Companies, Agents etc			NIL 20,00,000 00	(v) Gold 5. Advances	NII	1,24,95,000 00
NIL NIL NII NII NII,	(i) In India (ii); Outside India  Particulars Secured NII Unsecured NII	NII NI	NII.	7,07,856 75	(Other than Bad and Doubful Debts, for which provision has heen made to the satisfaction of the Auditors) (1) Loans, Cash Credits, Over drafts, etc. (i) In India 56,04,491 28		
90 29. (22 25	4. Bills Payable:		17 44,471 (13		(ii) Outside India NIL	36,04,491 28	
37,10,614 OII NIL 37 10,614 OO 2,36,13,424 O8	Bills for Collection being     Bills Receivable as Per     Contra     (i) Payable in India     (ii) Payable outside India      Other Liabilities:	1,48,10,532 15	1,48,95,366 13	NIL NIL	(2) Bills discounted and purchased (excluding Treasury Bills of the Central and State Governmenta) (i) Payable in India 2,82,72,10165 (ii) Payable mutside India NIL		
2,36,13,424 08 NIL NIL 2,36,13,424 08	(l) Head Office Account - Net (li) Rebate on Bills Discounted (lii) Other Liabilities	1,98,11,388 G6 2,65,154 OII 4 37 146 OO	5.05,16,688.66	NIL 7,07,856 75	6. Bills Receivable Being Bills	2,82,72,101.65	3,18,76,592.93
NR.	8. Acceptances, Endorsements and Other Obligations as Per Contra		1,26,02,125 00	37,10,614.00 NIL 37,10,614.00	for Collection as Per Contra: (1) Payable in India (1) Payable outside India	1,48,40,532 13 54,834 00	1,48,95,366.13
NIL.	Profit and Loss Account: Loss brought ferward from previous period Profit/Loss for the year/period	(8,87,320 ()2)		NII.	7. Constituents Liabilities for Acceptances, Radorsements and Other Obligations Per Contra:		1,26,02,123.00
(8,87,320 02) (8,87,320 02)	as per Profit and loss Account annexed	11,96,823 76	5,09,503.74	NIL.	8. Premises Less Depreciation:		1,25,02,123.00 NII
4, <sup>7</sup> 7,46,501 11,	( arried Forward	<del> </del>	'12,06,37,613 28'	-3,72,09,199 46	Carried Forward		10,89,35,062.5

(Incorporated in Bahrain with limited liability)

Embassy Centre, 207 Nariman Point, Bombay 400 021

#### BALANCE SHEET AS AT 31ST DECEMBER, 1987 Bombay Branch

31st December 1986 Rs Ps	CAPITAL AND HABILIHIES  Ry Py	Rs Ps	\$150 December 1987 Rs Ps	Vist December 1986 1986	PROPERTY AND ANSELS	R. P.	Slist December 1987 RS Ps
4,77,46,501 11	Brought lorward		12,06 37,613 28	ם (יפו 2,09 ° ב	Brought Forward		IU 89,45 u62 50
NII NII. NII.	10. Contingent Liabilities:  (i) Claims against the Bank not acknowledged as debts NIL.  (ii) Guarantees given on hebalf of (a) Customers 27,29,477 (b) (b) Officers NIL.  (iii) Bills of Exchange Rediscounted 25,06 000 00 (iv) Outstanding Forward Exchange Contracts 45,89 415 (d)			NIL  18 19,737 00  18,19,747 00  2,25,841 00  15,95,906 00  43,817 (80  87,57 180 00  84,642 00  756 65	Add Additions during the yearperiod 16,7(3-4)  Less Depreciation written titl to date  10 Other Assets: (i) Interest Accrued on invest ments and other accounts (ii) Advance Payments Deposits and Announts Receivable (iii) Weha less less Depreciation (iv) Mamps on hand (iv) Advance Payment of (fax and fax Deducted)	18,66,480 T3 5,14,165,00 5,54,266,10 87,91,726,00 7,20,454,00 9,711,95	14,42,015 73
				H9,41,395 65			1 03,50,535.05
				MI	Non-Banking Assets Acquired     in Satisfaction of Claims:		NIL
4,77,46,501 11	TOIAI		12,06 47 614 28	4 77 16 501 11	толы		12,06 37,613 28

As per our report of even date statched FOR S.B. BILLIMORIA AND CO Chartered Accountants Sd.
SJ. Merchant Partner

FOR BANK OF BAHRAIN AND KUWAIT BSC Ndi-Arjan Gurbuxani Chief Executive-India

Bombay. 21st January, 1988

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1987 Bombay Branch

1986 (01-05-1986 10 31-12-1986) Rs. Ps		EXPENDITURE	1987 Rs Ps	1986 (01-05-1986 to 31-12-1986) Rs Ps		INCOME (Less Provision made during the year/ period for bad and doubtful debts and other usual or necessary provisions).	1987 · Rs Ps
1,38,810 74	1.	Interest Paid on Deposits, Borrow- ings, etc. Salaries, Allowances, Provident	56 01.302.96	12,45,H17 H5 34,244 35	1 2	Interest and Discount Commission, Exchange and Brokerage	77,10,874.70 6,40,779 76
2,18,171.34	-	Fund, Bonus, etc.	6,99,169 85	NII.	3	Rents	NII
NIL 3,81,043.00 50,723.00 77,704 10 8,000 00 2,51,196 00	3. 4 5 6 7. 8	Members' Fees and Allowances Rent, Taxes, Insurance, Lighting, etc Law Charges Postage, Telegrams and Stamps	NII. 6,47,074 18 9,600 1b) 1,23,739 65 15,000 00 3,19,045 00	NIL NIL	5	Net Profits on Sale of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to Reserves or any particular Fund of Account) Net Profits on Revaluation of Investments, Gold and Silver, Land, Premises and Other Assets (not credited to Reserves or any particular Fund or Account)	65,967 59 Nil.
1,09,108.58	10	tlsements, etc Loss from Sales of or Dealing	2,81,5,51 67		6	and Profit from Sale of or Dealing	
NIL	1	with Non-Banking Assets	NIL	NII.	l	with such Assets	NIL
9,32,625 46 (8,87,320 02)	11. 12.		15,24,334 98	NIL	7	Other Receipts	NiL
12,80,062 20		TOTAL	84.17.622,05	12,80,062 20	<b></b> -	TCOTAL	H4,17,622,05

#### Notes Forming Part of the Accounts for the Year/Period Ended 31st December, 1987

1. Particulars of Remuneration relating to the Chief Executive Officer in India

1987 Rs. Ps	1986 Rs Ps
	72,000.00
29,850.00	NIL
9,000.00	6,000 00
49,812 65	20,110 00
1,96,662 65	98,110 00
	Rs Ps 1,08,000.00 29,850.00 9,000.00 49,812 65

- \* Subject to approval of the Reserve Bank of India
- 2 Vehicles appearing under the head "Other Assets" excludes cost of one Mercedes Benz Saloon Car imported during the year which was gifted by the Head Office of the Bank and it includes only the Customs Duty and Octrol Charges paid by the Bombay Branch.
- Depreciation is provided on fixed assets on the written down value basis at the rates prescribed as per the income Tax Rules; 1962.
- 4. Provident Fund is continued to be deducted from the Salaries of the Staff with effect

from May 1986. An equal amount is continued to be provided by the Bank as its share of contribution. Pending receipt of recognition by the Commissioner of Income Tax the deductions have been paid to the Trustees for investment of the Fund.

- 5 No provision has been made in respect of future payment of gratuity to the staff since none of the employees have completed five years of service with the Bank.
- 6. Other expenditure includes Rs. 50,170.75 paid on account of hotel bills and Rs. 32,107.25 (including for previous period Rs. 6,124.25) paid on account of hire of cars for visits to the Branch of the Head Office Executives for which approval of the Reserve Bank of India Is awaited
- The accounts do not include debit on account of Head Office share of expenses incurred by Head Office on behalf of the Branch:
- Assets and Liabilities in foreign currencies are converted at the rates ruling at the year end except that contingent liability in respect of forward exchange contracts is included at the contracted rates.
- Previous period's figures have been regrouped wherever necessary to make them comparable with the current year.

As per our report of even date attached FOR S.B. BILLIMORIA AND CO. Chartered Accountants

Sd/-S.J. MERCHANT Partner Bombay: 21st January, 1988 FOR BANK OF BAHRAIN AND KUWAIT B.S.C.

4/1.
Arjan Gurbunani
- Chief Executive---India

Schedule of Particulars of Advances required by the Banking Regulation Act, 1949 (Act X of 1949) attached to and forming part of the Balance Sheet as at 31st December, 1987

#### **Bombay Branch**

31-12-1986 Rs Ps	PARTIC.I:I ARS	CI-12 1987 Rs. Js.	31 12 1966 Rs - Ps	PARTICULARS	M-12 1987 Rv. Pv
7,07 856 75 MIL NII NII	(t) Debts considered good in of which the Banking Confully secured  (ii) Debts considered good for the Banking Company hole other security than the dependent security  (iii) Debts considered good, set the personal leabilities of a niore parties in addition to sonal security of the debt (iv) Debts considered doubtful not provided for	which do no store 1.57 \$1.972.15 cured by one or 1 to the periors 1.50 \$0,536 \$1	5 9 5 ~ 201 (0) NII S JUG (0)11 (0)G NII NII	(x) Debts due by the directors of of focus of the Banking Company or any of them editire severally or jointly with any other persons.  (x) Debts due by companies or forms in which the directors of the Banking Company are interested as directors particles or intricate companies as members.  (x) Maximum total automit of advances including temporary advances indeed at any time during the year to directors or intanagers or of ficers of the Banking Company or any of them cuber severally or jointly with any other persons.  (x) Maximum total automit of advances including temporary advances including temporary advances granted during the year to the companies or firms in which the directors of the Banking Company are interested as directors partners or managing agents or in the case of private companies as incidents.	4 81,054 (0) NII. 4 94 72((0)) NII NII
7,07 856 75	TOTAL	3 18 76,592 94			

#### Report of the Auditors

We have audited the attached Batance Sheet of the Bomhay Branch of Bank of Habrain and Kuwait B S C. as at 31st December, 1987 signed by us under reference to this report and the relative Profit and Loss Account of the Bombay Branch of the Bank for the year ended 31st December, 1987, with the brooks of account maintained and produced to us. (b) The Transactions of the Branch which have come to our notice have been in our at Bumbay

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read (C). In our opinion, proper hooks of account as required by the law have been kept by with provisions of Sub-Section (1), (2) and (5) of Section 211 and Sub-Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and the Profit and Loss Account together with the notes thereon, are not required to be and are not drawn up in accor- (d) dance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act. 1949

Read with the foregoing remark and subject to the sanctiun for hiauguration and other Bonus of Rs. 29,850/- paid/provided for the Chief Executive Officer for which approval of the Reserve Bank of Indla under Section 35B (I)(b) Is awaited

(2) We have obtained all the information and explanations which to the best of our

knowledge and belief were necessary for the purposes of our andit and base found their to be satisfactory

- opioion, within the powers of the Bombay Branch of the Bank
- the Branch so lar as appears from our examination of those books,
- the Balance Sheet and Profit and Loss Account of the Bonday Brauch of the Bank dealt with by this report are in agreement with the books of account,
- in our opinion, and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis the said Balance Sheet gives a true and fair view of the state of affairs of the Bomhay Branch of the Bank is at 41st December, 1987 and the Profit and Loss account gives a true and fair Cicw of the Profit of the Bourhay Branch for the year ended on that date

BOMBAY: 21st January, 1988



#### BALANCE SHEET OF INDIAN BRANCH AS AT DECEMBER 31, 1987

1				<del></del>		_	<del></del>		······································
(986 Rs P		CAPITAL AND HABITARIES	Rs P	19 <b>H</b> ™ R5 1°	1986 Ra P		PROPERTY AND ASSESS	Rs P	1987 Rs P
20 00 000 00	1	Capital Amount deposited with the Reserve Bank of India raider Section (192) rac of the Durking Regulation (see 1949)	45 tas (191) (B)		7 28,507 40 96,07,678 13 1,03,36,185 43	1.	Cash In hand Balance of Reserve Bank of India	4,65,168 15 75,89,163 01	80,54,331 10
•	2.	Market value of secontics holged Ry 34 55 000 PY Ry 19 46 (CS) Reserve Fund and Other			1,96,92,574 55 27,12,159 86 2,24,04,744 41	2.	Balance with Other Banks (On current account) in India Outside India	34 09,822 29 78 08 2 14 03	1,12,18 066 3
To an ann an		Reserves Head Office Reserve ramount remitted in loveign entropes		M/2	<b>6,00</b> 00,000 00		Money at Call and Short Short Notice		
\$,17 \$0,215 31 14,15,596 95	5.	from Head Office)  Deposits and Other Accounts Exed Deposits  From Banks = 2.80 00 000 00  From Others = 21.30 33 108 35 Savings Bank Deposits Curreat Accounts Contingency Accounts on	2) ltt 53 gas (5) att 31 550 a2	20 वह ब्रह्म (भर	5,44,57,035 00 59 000 00 2,26,15,200 00 4,00,81,250 00	4.	Investments (At Cost) Securities of Central and State Good and other frustee Secu- rities including Ireasury BPIs of the Central and State governments Equity Shares (fully paid) Debentures and Honds Other Investments	**80 56,425 D0 5 90,000 00 1,26,90,400 00	
11 54,764 08 23,92,73,564 10 27,55,92,139 74		From Banks 8 04 193 88 From (90cts   121 71 119 57	1 29 71 (142 45)	28 80 to (90 92	9,72,12 485 00	5.	Advances (Other than had and doubtful debts for which provision has		9,15,16,825 D
55,00,0HD (H)	4.	Boerowings from Other Banking Companies, Agents etc, (Pasecured) In India Onisile India	] (10 OD (140 D) -	1 00 00 000 OU	5,17,69,028 51 		been made to the satisfaction of the auditors) Loans, cash credits, overdrafts etc. In India 14,04,73,786.70 Outside India	11.04.71 786 70	
6,50,961 89		Bills Payable  Bills for Callecting heing		५ % गरेत १७			Bills discounted and jourchased (excluding Treasury Bills of the Central and State Governments)		
22,35,000 00 27,54,745 00 49,89,745 00		Bills Receivable (As Pec Contea) Pavable in India Pavable 1908/de India	4 290 DO 3 91 175 DO	4 9+ "65 (M)	5 36,68,353 54 9,69,685 (8) 10 94,07,067 04		Payable ir. India 6,74,46,964 H8 Payable outside India 52 05,279 I5 (Particulars as per Schedule)	7,26,52,244,03	21, 51, 26,030 7
2.54,65,921 68 33,81,726 40	7.	Other Liabilities Head Office balance moside India - Net Inconte accounted in advance Sundry Crediors	1,76 22 253 91 12 58 622 90 2 08 15 195 00		22,45 000 00 27,54,745 00 49,89,715 00		Bills Receivables Being Bills for Collection (Per Contra) Payable in India Payable outside India	5,290 00 5,91,475 00	3,94,765 0
3,89,07,251 92 8,66,49,145 20	8.	Acceptances, Endoesements and Other Obligations (Per Contra)	2.00 2.777100	) 27 2) 071 81 17 (6 62 961 21	8,66,49,145 20		Constituenta' Liabilities for Acceptances, Eudorsements and Other Obligations (Per Contra) Premisea		17,46,62,961 2
(12,83,583-21)	9.	Profit and Loss Profit as per (as) Balance Shrey Less Remitted to Head Office	4" 08 985 98 5),60,14" 18 15 48 548 80		(h 22 -ue	9.	Less Deprectation  Furniture and Flatures (in cluding vehicles and Equipment)  At cost as at		
59,92,569 t9 47,08,985 98		Add. Probt for the year as per Profit and loss Account annexed	t 13 96,1t7 20	1 29 )1 956 80	49,22,485 09 2,07,814 51 (14,47,694 40) 56,82,603 20		31 12 1986 51, 40, 299 60 Add Additions due- tog the year 10, 60, 177 44 Tess Depreciation	61,90,477.04 25.03,168 56	36,87,308 4
41,67 98,242 74	-	Carred Forward		53 (3,22 58) (4	39,46,81,967.28	<del> </del>	Carried Forward		50,24,60,287



#### BALANCE SHEET OF INDIAN BRANCH AS AT DECEMBER 31, 1987

		·					
1986 - Rs - P	CAPITAL AND HABILITHES	Rs P	tus- 8× P	1986 Rs P	PROPIRTY AND ASSETS	Rs P	1987 8\ P
41,67 98 232 73	Brought forward		53 15 22 581 15	39 46,81 967 28	ltrought forward		50,21,60 287 90
 6-03-30-301-10 10-60-181-002-00	10. Crintingent Habilities Claims against banking com pains not acknowledged as debts Guarantees given on the behalf of Cristomers of Head Dilliec, and foreign branches Officers Others Labilities on bills of exchange redistomered Labilities on second of our standing forward exchange	11 <sup></sup> 5,00 110 95 10 00,000 00		81,25,228 45 5 11,066 17 1,42 90,2106 79 1 59,763 01 2,21,16 265 45	Accured inferest on investment Preparments, inferest sunder deposits initial expenses, en Sundries	23 00,000 00 1 05 64,886 45 18 89 678 61 1 35 51,123 74 5,85,704 73	2 NN 62 2V3 53
8 to 64 ti94 OD	CONTRACTS	10-52-61,878-68		-	11 Non Banklug Assets Acquired to Satisfaction of Claims 12 Profit and Loss		
11 67,98 232 13	hatal Rs		53 14 22 580 13	41,67 98 232 75	linal Rs		53 13 22 581 44

#### NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 1987

1. Basis of Accounting.

The foregring financial statements have been prepared in conformits with generally accepted accounting principles and conform with the practices within the banking industry.

2. Depreciation on Fixed Assets.

Depreciation has been calculated on a straight line hasts to write off the cost of fixed 6, assets over the expected useful fixes of the assets duly certified by the management. The principal period used are

Furniture and Fixtures 5 years
Equipments 5 years
Motor Vehicles 5 years
Computers 5 years

During the year, there has been a change in the rates of depreciation for fixed assets and as a result of this revision, the charge for depreciation is less by Rs. 1,76 (4.00 of the revision has been given effect to from the current year. The accumulated depreciation in respect of existing assets as on 1 1 1987, has not been revised.

3. Head Office Administrative Expenses:

The Head Office Administrative Expenses have been limited to the amount estimated 8, to be allowable under section 44C of The Income Tax Act, 1961

4. Interest:

Bombay

No Credit has been taken for overdue interest on sticky advances and that such interest shall be accounted for on rash basis only

5. Taxatlon.

The adequate procession for taxation has been made after taking into consideration the deposit forbe made with The Industrial Development flank of India under the Investment Deposit Scheme. 1986 within due date.

6. Confirmed Letters of Credit:

Contingent trabilities in respect of letters of credit are included under Acceptances, Indosenients and other diligations on the fiability side, with a corresponding increase in Constituents, habilities for acceptances, endosements and other obligations, on the asset side of the Balance sheet.

coreign Currenctes.

Assets and trabilities in foreign currencies are converted at the rates ruling at the verifiend except that contingent habitimes in respect of forward exchange contracts are included at the contracted rules. Differences on exchange are credited in Income or charged to expenses as they arise.

Investments:

Investments are valued at cost. The total market value of investments exceeds the cost.

General:

Previous year's figures have been regrouped-rearranged where necessary.

FOR HAVIOCK & 1EWIS
CHARLERED ACCOUNTANTS

HARTERED ACCOUNTANTS Sd/-

TV TYAGARAJAN PARTNER TOF DMAN INTERNATIONAL BASK 5 A O

Sd/ VV CHANDY CHIEF EXICUTIVE (INDIA)

In terms or our report of even date

Dated 26th February, 1988

Economic and Political Weekly March 12, 1988



#### PROFIT AND LOSS ACCOUNT OF INDIAN BRANCH FOR YEAR ENDED DECEMBER 31, 1987

1986 Rs	FAPFNDULURL	1987 Rs	1986 Rs	INCOME (Less Provision made during the year for Bad and Doubtful Debts and other usual or necessary provision)	1987 Rs
14,57,401 83 — 21 87,873 21 1,02,284 00 5,66,547 24 50,000 00 13,30,259 01 28,54,916 35 — 25,32,029 01 78,50,000 00	Interest paid on deposits horrowings, etc. Salaries, allowances, provident finid. Directors & local committee members lees and allowances. Rent, taxes, insurance lighting etc. Law charges. Postage, relegrants and stanips. Auditor's free (including in other capacity). Depreciation on and repairs to hanking company's property. Stationery, alog, advit, etc. Loss from sale of or dealing with non-banking assets. Other Expenditure. Taxes no Income. Balance of Profit carried over to.	1,81,01 147 87 17 50 641 18 54 419 55 22 10 507 17 9 290 00 6,70 435 91 19,243 00 12 34 893 21 20 80,345 11 51,11,627 14 93 26,512 00 1,13,96,117 20	59, 18, 912 94 -  	Interest and discounts Commission, Exchange and Brokerage Rent Net Profit on sale of investments, gold and silver land, premises and other assets (not credited to reserves or any particular lund or account) Net Profit on revaluation of investments, gold and silver, land, premises and other assets (not credited in reserves nr any particular fund or account) Income from non-banking assets and profit from sale of or dealing with such assets Other receints	4.30,50,386.43 88,78,371 77 — — — — — — 45 981 47
3,26,88,686 57	fotal Rs	5 19,74 739 67	3,26,88,686 57	Total Rs	5,19,74,739 67

1986 Rs	Particulars of remuneration relating to the Banking Company's Chief Executive in India	1987 Rs
1.1.000 00	Salary	1,71,120 00
12,000 00		13,986 00
	Allowances	12.616 76
	Employer's contribution to Provident Fund	
	Pension Fund or any other superannuation	
12,000 00	lund	14,258 00
	Monetary value of other benefits or	
37,691 00	perquisites	37,941 00
110 001 13	Mark 1 11	3 -0 03: 70
2,18,851 22	'Iotal Rs	2,49,921 76
	t alter the amount of the contract of the cont	

in terms of our report of even date

Bombay Dated: 26th February, 1988 FOR LOVELDICK AND LEWISS CHARTERED ACCOL NTANTS SOF TV LYAGARAJAN PARTNER

FOR OMAN INTERNATIONAL BANK \$ A.O.,

\$d/-VV CHANDY CHIEF EXECUTIVE4NDIA



#### PARTICULARS OF ADVANCES OF INDIAN BRANCH AS AT DECEMBER 31, 1987

	1986	1987		1986	1987
Debts considered good in respect of which the Banking Company is fully secured Debts considered good for which the Bank- ing Company holds no security other than the debtor's personal security.	5 18 61 030 09 NII	15,62 46 866 15	Debts due by directors or officers of thi Banking Company or any of them enher severally or jointly with any other person Debts due by Companies or firms in which the directors of the Banking Company are in-	NII	NIL
Debts considered good, secured by personal liabilities of one or more parties in addition to the personal security of debtors	5,45, £3,036 95	1 51 06 414 62	terested as three tors, partners, or managing agents, or in case of Povate Companies as members	NII.	NIL
Dehts considered doubtfol or bad, not priviled for	NII	NII	Maximum total amount of advances incloding temporary advances made at any time during the period to directors or managers or officers of the Banking Company or any of them either severally or jointly with any other person	SII	Nil.
·			Maximum total amount of advances inclinding temporary advances granted during the period to the Companies or firms in which directors of the Banking Companies are in terested as directors, partners or managing agents or in case of private companies, as		
			Dues from Banking Companies	NII NII	NIL NIL
No. 1 D	m.a. 02.0120		The same of the sa		,,,,
'Iotal Rs	10,91 07 067 04	21 41,26 030 73			

#### **Auditors' Report**

We have audited the Balance Sheet of the Bomhay branch of Oman International Bank S A O as at December 31, 1987, signed by os under reference to this report, and the relative Profit and Loss Account of the Bomhay hranch of the bank for the year ended on that date with the books of account maintained and produced to us

in accordance with the provisions of section 29 or the Banking Regulation Act, 1919, read with the provisions of sub-sections (1), (2) and (5) of section 2ff and sub-section (5) of section 227 of the Companies Act, 1956, the Balance sheet and Profit and Loss Account are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Form 'A' and 'B' of the Third Schedule to the Banking Regulation Act, 1949

We report that

(a) We have obtained all the information and explanations which to the best or our knowledge and belief were necessary for the purpose of our audit

- (h) The transactions which have come to our notice have been in our opinion, within the powers of the Bombay branch of the hank
- (c) In our opinion, proper hooks of accounts as required by law have been kept by the Bomhay hranch so far as appears from our examination of those hooks.
- (d) The above mentioned Balance Sheet and Profit and Loss Account of the Bombay branch of the hank dealt by this report are in agreement with the books of account.
- (e) In our opinion, and to the best of our information and according to the explanations given to us such Balance Sheet and Profit and Loss Act ount together with the notes thereon give information required by the Companies Act, 1956, in the manner so required for banking companies, and on such hasts the said Balance sheet gives a true and fair view of the state of affair of the Bombay hranch of the hank as a, December 31, 1987 and Profit and Loss Account gives a true and lair view of the Bombay hranch for the year ended on that date

FOR LOVELOCK AND LEWES.

Sd/ I'V TYAGARAJAN PARTNER

BOMBAY DATED: 26th February, 1988

#### Crisis of Western Social Science

Satya Deva

The Social Fabric: Dimensions and Issues edited by James F Short, Jr. Sage Publications, 1986; \$ 14.95 (paperback), pp 366.

THIS volume is based on papers prepared for the 1984 annual meeting of the American Sociological Association. It is in five parts, containing in all 19 papers. Part I is entitled 'How is Social Order Possible?'. Neil J Smelser, in his paper, brings to focus the hiatus between the micro- and macroscopic traditions, which continue to co-exist uneasily within mainstream social science. However, he is unable to offer a solution, and only suggests abandoning the "search for primacy"; he fails to realise that opposing ordering principles arise from contradictions inherent in the social reality. William J Goode goes deeper and sketches five formulations. He comes down heavily on functionalism by arguing (i) "that most people in the past believed that they were not given justice, were exploited"; (ii) "I do not accept the notion that what has existed and what cannot be altered much by people with little or no power, even over generations, is some how automatically transformed by mere time into the legitimacy that gives inner allegiance"; (iii) "We cannot simply assert that the ultimate base of the social structure is a deep moral commitment"; and (iv) "we must also accept the pervasive steadying in fluence of force and force-threat as another major base of the social order - but that rejects the central hypothesis in the utility solution of the order problem" (pp 45-47).

Goode also launches a vigorous attack on the microscopic paradigm, resurrected by J S Coleman in the last decade and couched in the language of dependence theory, exchange theory, subjective expected utility, the comparison of alternatives, marginal utility, or individual voluntaristic choice, as being "a nonfalsifiable circularity". He admits that he himself was counted among the proponents of this paradignt in the late 1950s In particular, he makes four broad criticisms of neoclassical economic theory: (i) the economic actor is fundamentally alonethis is at a polar opposite from the processes of control in the realm of esteem and prestige-giving rise to absurdities such as treating martyrdom as just another form of hedonism; (ii) economic acts seen as being "unaffected by social structures, can simply be summed up", while "sociology is more likely to ask whether the larger order contributes to the individual"; (iii) "economics insists that we can monetise non-market variables... without considering any inherent moral elements... We might, for example, decide that we can buy the... Nobel Prize, though... one cannot buy prestige or esteem...the person who might be bribed to give a corrupt decision cannot in fact dictate his or her own response of respect"; and (iv) "economics, aiming at being a science, long ago chose to be rigorous and mathematical, but developed little taste for the reality of the world that might test that rational view" (pp 51-56). However, it is a measure of conformism in American society that Goode tries to derive support for these views from writers tike the Nobel laureate Herbert Simon, who is himself a strong proponent of neoclassical equilibrium theory, particularly as applied to management.

Signs of revolt, however, are also visible. Thus Mary Douglas is not only critical of mainstream sociology but goes ahead to reiterate Marxist ideas, such as, "thought depends on the social order. Thought arises out of it, constitutes it, is constrained by it". She mainly attacks mainstream psychology She quotes approvingly the criticism by J M F Jaspers, echoing that by the Frankfurt school, about attitude research: "We have lost sight of the collective nature of attitudes because attitudes have been impounded by social psychology and made into individual response dispositions of an evaluative nature... Recent developments in attitude research and sealing techniques have led to a complete individualisation of the study of attitude" She is critical of Bartlett's experimental study of cognition: "the loss of the initial insight about the social control of cognition has been counter-productive for our understanding of the social fabric"; and liighly sareastic about behaviouralism: "A precise tool for describing institutional struetures has been lacking to match the precise psychological tools for assessing emotional and cognitive bias" (pp 74-75). She is critical of the specialisation in contemporary knowledge industry, and cchoes Georg Lukaes in emphasising the "crucial importance" of the "interlocking methodology that holds clumps of scientific activity together".

Peter H Rossi and Richard A Berk adopt the behavioural approach in trying to conceptualise normative structures and operationalise consensus about norms with the help of statistical models. As the authors acknowledge, their models relate to the static side of normative domains: they have not been able to deal with normative change. It is one of the symptoms of the crisis in western social science that while on the one hand behaviouralism has been widely rejected, on the other hand it continues to be adopted by some with great clan. What is missed in the controversy is that while

behaviouralism is claimed to be merely scientific methodology, it really implies the microscopic paradigm. What this method achieves, then, is to circularly 'prove' deductions from the embedded theory. This is what lends efficacy to it and does not let it die a natural death.

Part II is entitled 'Utopian and Distopian Views of the Social Fabric. Papers by Morris Janowitz and Kai Erikson deal with the works of George Orwell. While both of them come down heavily on totalitarianism, they , altogether fail to see the oppression inherent in capitalist society. However, Erikson does note that the view that aggression is built into humanity, coming from Hobbes, William James, Freud, William McDougall and Konrad Lorenz, is not supported by recent findings; the authors of The American Soldier reported that only 2 per cent of the collisted men interviewed mentioned feelings of revenge as the most important factor in 'keeping them going' in combat, one of several reasons why the authors concluded "that hatred of the enemy, personal and impersonal, was not a major element in combat motivation". He also notes the following passage in Nineteen Eighty-Four: "The primary aim of modern warfare is to use up the products of the machine without raising the general standard of living". However, he still fails to consider any relationship between capitalism, imperialism and war. He concludes his paper pathetically with the hope that one day the cause of war would be discovered, but while doing so regresses to reductionism which he had carlier rejected: "If we could learn how that bit of human chemistry is done...we would stand on the edge of something very important."

Gary T Marx, in a long and interesting paper, gives a detailed and horrifying account of the existing and potential control of culture and inroads upon privacy in American society. He starts by noting that, "Our psyches are more invaded by the economy's need for consumers than by repressive political needs of the state" Since Orwell wrote, he says, new varieties of professionals have appeared to invent needs, package products and sell the public: "Even when we are aware that a choice has been made (for a political candidate, a foreign policy, an underarm deodorant, or a life style), the technologies seek to make us feel that the choice is rational and voluntary". "Mass media persuasion is far more subtle and indirect than a truncheon over the head". Medicine is also put to use: "By defining subjects as sick and in need of treatment... attention is diverted from structural bases for problematic behaviours and conditions".

"New surveillance" is the name given by Gary Marx to new methods of social control deriving from changes in both technology and social organisation. "The information-gathering powers of the state and

private organisations", he says, "have been extended deep into the social fabric', "Recent developments permit intrusions that until recently were in the realm of science fiction, not envisioned even by Orwell: new and improved lasers, ... bugs with powerful transmitters, .. remote camera...tape machine that can record up to 40 conversations at once; means of seeing in the dark, ... odour sensors; ... techniques for reading mail without opening it?" "The CIA has apparently used satellite photographs for 'domestic coverage' to determine the size and activities of anti-war demonstrations and civil disorders. Computer-enhanced photography can identify vehicles moving in the dark..." "The National Security Agency uses 2,000 staffed interception posts throughout the world, satellites, aircraft, and ships... Its computer system permits simultaneous monitoring of 54,000 telephone calls and cables. The agency is beyond customary judicial and legislative controls ..."

"Surveillance of workers on assembly lines, in offices, and in stores, has expanded with computerised electronic devices. Factory outputs and mistakes can be more easily counted, and work-pace controlled. In some offices, workers must inform the computer when they are going to the bathroom and when they return. The CIA has reportedly used microwave he detectors that measure stomach flutters from half a mile away. 'Undercover operations have become the cutting edge of the I-BI's effort...' (pp 140-48).

Gary Marx points out several awesome social consequences of 'new surveillance'. One is that the power of the national elites may increase as they obtain instant information on those in the farthest reaches of the network. Another is that, "Forms of monitoring traditionally used only for criminal and espionage suspects, or prisoners, now are used for categorical monitoring of broac populations". Thirdly, "As records of education, work, health, housing, civil suits, and the like become ever more important in administering society, persons may decline needed services (as for mental health), avoid conflictual or controversial action (filing a grievance against a landlord), shun taking risks and experimenting for fear of what it will look like on the record. Conformity and uniformity may increase, squashing diversity, innovation, and vitality." Fourthly, "In a society where everyone is suspect and a target for temptation and investigation, trust-the most sacred and desirable element of the social bond-is damaged". And finally, "the new surveillance technologies are an important factor in decreasing the power of the individual relative to large organisations and government". This picture not only brings out the true nature of 'freedom' in contemporary capitalist societies, but should also serve as a warning to the people of underdeveloped countries like India whose ruling classes seek to import capital-intensive high technology, which would give them awesome power, in the name of development.

Part III of the volume deals with 'Population, Resources and the Social Fabric'. William R Catton, Jr. Gerhard Lenski and Frederick H Buttel, in their paper, point out that, "the developed industrial world as a whole and the once Eden-like United States in certain respects are dependent on imports of raw materials to a substantial and inexorably increasing extent. A number of these raw materials originate primarily in the LDCs." They note that Lenin had correctly pointed out the role of such flow of raw materials from colonies and semicolonies in the world economy, although, according to them, by 1965 "the flow of capital between the metropolitan powers and the third world was not as Lenin had described it; data and theory emerged suggesting that the net flow of capital was from the third world to the first world (rather than the reverse, as Lenin had expected), influential theories of 'dependency' and 'world systems' arose".

The authors maintain that while it is true that the US imports only 33 per cent of its immerals from third world countries, "third world sources are especially important for the largest (i.e., multinational) firms, which are most able to influence government policy, and certain rare but absolutely indispensable materials, including manganese, nickel, tungsten, titanium, and tantalum, are largely located on or under third world soil". Hence, "For the United States, policy decisions related to raw materials are a significant component of foreign policy determination" (p. 176)

In the course of their analysis, the authors emphasise the role of technology and criticise Durkheim: "Sociology needs to break away from Durklieim's rules enough to take explicit account of certain facts of geology and ecology that shape social facts. It simply is not true any more, if it ever was, that the cause of a social fact is always another social fact. The non-renewability of resources upon which human societies became dependent through industrialisation is too important to overlook". Further, "feehnology has cularged our per capita resource demands (and our per capita environmental impact) -so that even a non-growing population can impose a rapidly increasing load'

The authors conclude with sermons and exhortations, such as, "We also have reason for exploring creatively the extensive literature in philosophy and ethics that has sought to grapple with problems of intergenerational equity". However, they fail, as sociologists, to reter to the wasteful compulsions of war and consumerism whose roots lie deep in capitalist society.

Part IV is entitled 'Institutions, Systems, and Processes'. Richard D Schwartz, in his paper puts forward a sociological theory modelled almost on Frend's theory of personality formation: "recurrent patterns of culture and interaction between government and society seem to go back to the earliest history of the society. I want to suggest that

the great culture areas are deeply affected by their birth experiences" (p 196). In developing the background to his theory he refers to Gunder Frank and Gramsci among others (it is interesting to note that these authors have become fashionable in the US): however, his theorisation does not show sufficient appreciation of social change in the 'great cultures' of China, India and the West. Nor does he show appreciation of the systemic nature of society. He would like to import tolerance of the Chinese tradition and the Indian concept of the sanvasi (which he misspells twice, p 200) into other cultures; however, he fails to prescribe the therapeutic procedure whereby this can be achieved.

Thomas S Moore and S M Miller, in their paper, contest "the anti-Keynesian theme of" contemporary conservatism" that "the expansion of government spending per se has become a drag upon the rate of economic growth and a threat to the political affiliations that are the basis of social control under parliamentary regimes". Thus they point out that, "Both timing and crossnational comparison suggest that the expansion of the public sector does not account. for the slower US growth rate". In their view, "The expansion of the public sector has not created a system of disincentives that act as a drag upon productivity growth, but it does appear to have undercut the effectiveness of unemployment in reducing wage levels. By curbing and redirecting government spending, conservatives hope to reestablish the normative framework of an earlier economic era, a framework conducive to the inward redistribution of corporate income in particular and of the social product in general. Unfortunately, this backward-looking agenda fails to acknowledge the changing realities of economic competition and risks the long-term prosperity that it seeks to secure" (pp 210, 213). Indeed, they maintain that the US has already been left behind: "Our major competitors thore readily acknowledge the connection between social welfare programnies and economic development, and spend a greater proportion of their GNP on them. West Germany, France, Sweden and Japan all have national health insurance, wage insurance, and prior notification requirements in the case of plant shutdowns, and retraining programmes that enrol between 1 per cent and 2 per cent of their workforcesthe comparable percentage for the United States is .1" (p 216).

However, social welfare spending is now politicised; compared to it public goods spending is not. There is lack of "public awareness of the inequal benefits emanating from public goods expenditures in general and military spending in particular". The authors point out that, "The lack of unity on this issue within the major party coalitions constrains party competition to ielatively minor differences while the resulting absence of debate and information available to the public facilitates the domination of policy by monolithic inilitary and corporate

interests". There is hope, however, flowing, ultimately, from the contradictions of the system: "As the increasing levels of military spending threaten to make it a political issue, the pressure of international economic competition strengthens the position of those who would reallocate public resources to more productive ends. This needed reallocation represents the greatest challenge to those desiring a more equitable and democratic society" (p. 218).

Weber's ideal type of bureaucracy comes under attack in the paper by Etic M Leifer and Harrison C White. The paper is very interesting insofar as it suggests that capitalist centralisation prepares (dialectically) for decentralisation. This is true in both the polity and the economy. Thus, according to the authors, lederal programmes in the US have increased, rather than diminished, the role and importance of state agencies, leading to a 'cooperative', 'new', federalism of interdependence. Similarly, in business there is more and more function sharing between corporate and division management, for example, in the internal transfer of goods between divisions. This applies even to the entiepieneutial function: "The process of corporate entrepreneurship, whereby corporations come to develop new husiness activities, is often thought of as an exclusive concern of top management in their capacity as planners. Not surprising to us, this picture is far from accurate in most innovative corporations. The entrepreneurship function is shared with middle-level management in a way that neatly diffuses control over the basic definition of the corporation's 'direction'-a joint construct that enlists the efforts of both top and middle management." This new conception of the entrepreneurship structure, taken together with the already well-established one of the leadership structure, questions some of the fundamentals of western social science - the contribution of the entreprencur, the leader, hierarchy as such, and so on. With every passing day, this 'science' is being revealed more and more as consisting mainly of justifications of the power and pelf of the rulers.

Charles C Moskos deals with the issue of conscription; he concludes that in the US while the model of military service by choice has come to be accepted more and more since the Vietnam war, older males, especially military veterans, and those right of centre, still tend to be supportive of the draft.

hrving Tallman analyses the role of the family as being that of a mediator between the society and the individual: "The decisions that families and family members make to get married, to seek certain types of education or occupations, to move, to reside in certain areas or types of homes, to have children, to get divorced are descriptive of the social structure at one point in time and of changes in the structure over time". However, according to him, "the Image of the family as isolated and disorganised under the impact of migration, industrialisation, and urbanisation is overdrawn, so too

is the image that the family is capable of maintaining its traditions and organisation regardless of the impact of social forces." At the same time, "Although the balance in the relationship between the family and the corporation constantly shifted, power was always on the corporation's side".

Tallman is critical of historians and philosophers like Popper who "assert that historical analyses cannot lead to a cumulative body of scientific knowledge-primarily because it does not contribute to the development or testing of deductive theory". He maintains that, "because of the methodologies they employ and in their reliance on a rather clearly articulated framework, the new breed of social historians have, wittingly or not, deviated from traditional historicism in the direction of building scientific theory", "It should be noted, however, that, in the work of these scholars, the study of the family is integral to the study of social structure and social change!"

Robert Withnow's paper summarises the perspective on modern religion found in the evolutionary theories of three contemporary sociologists - Robert N Bellah, Jurgen Habermas and Niklas Luhmann, According to Bellah modern religion tends to mix the sacred and the profane. "Religious claims are grounded in considerations of the human condition instead of being legitimated in terms of supernaturally revealed wisdom". Habermas and tuhmann believe that modern religion has largely lost its capacity to legitimate and unify the society as a whole. Religion is not likely to dic out; "it may even flourish among reactionary groups critical of political and economic processes. But it must function increasingly without significant connections to other spheres of social action".

S J Ball-Rokeach gives four interesting reasons for the great lack of sociologically informed programmatic theory and research into the mass media in the US during the last thirty years: (i) the work of I azarsfold and others indicated the ntedia system to be a relatively impotent force: this perception made it unattractive to researchers; (ii) the media system is difficult to research-it places heavy demands on personal and professional resources; many excellent sociologists (e.g., Merton, Coleman and Janowitz) left this area; (iii) there has been lack of funding for media research by government and industry; their priorities are also different-a proposal to study the effect of media coverage of social conflict, and its effeets on the social control beliefs of the audience and the social control behaviours of powerholders is far less likely to be funded than study of the effects of TV violence on individuals; and (iv) it is common practice "for media organisations to hire consultants to 'shoot down' research findings publicly that are inconsistent with media interests", leading to adverse publicity and controversy-this prospect discourages social scientists from devoting research attention to the media. This sociology of media sociology indicates how the development of social 'science' in western society is conditioned by vested interests, both of those who control organisations and researchers.

Part V is entitled 'Science, Scientists and the Social Fabric'. Theodore Caplow's paper presents the consensus arrived at in the session, 'The Role of Sociologists in the Nuclear Debate'. The main points of this consensus are as follows: (i) Nuclear weapons are social products and they have momentous social consequences, which are fully amenable to study by social scientists. (ii) Social scientists have lagged behind physical scientists in responding to the issues raised by the invention and use of atomic weapons-and the sociologists have remained on the periphery. (iii) Examination of the volumes of three top American journals of sociology since 1945 has shown that 11 papers out of 6500 dealt with nuclear issues, and only 4 of these had anything to say about nuclear weapons—.0006 of the total. Such avoidance of nuclear issues calls for explanation (p 322). (iv) This astounding neglect is not attributable, in the opinion of the panelists, to any unsuitability in the subject matter. (v) The sense of the panel was that sociologists ought to become much more closely engaged with nuclear issues. This is an example of how the scientist is constrained in the 'Irce' society of the USso much, indeed, that a meeting of the American Sociological Association is needed to bring out the sordid state of affairs.

Hatriet Zuckerman's paper deals with the 'Uses and Control of Knowledge'. It reports that the allocation of resources for the production of social science knowledge by the National Science Foundation was no more than 2 per cent-4 per cent of the overall Foundation support during the years 1956-82. It also notes that "the character of controls exerted on knowledge production, its directions, and scale has much to do with the political climate". Zuckerman refers to a 'dependency syndrome': the growing significance of science has provided incentives for government to 'pay the tab' and to exercise control, leading to a 'crisis of trust' between the scientific community and government. The commerce department has even begun to consider a policy that would impose export controls on scientific exchanges—applications for export licences would be required for submission of papers to foreign journals, for teaching foreign nationals, and for doing research in a foreign country (p 340).

Dealing with the use of knowledge for policy formulation, it is noted that, "a simple model of knowledge-application in which policy decisions are made after the pertinent knowledge is weighed is far removed from the way things actually work. Rather, policymakers' definitions of useful knowledge depend on their purposes and interests, and these also determine the amount of resources they are willing to commit to find out what they want to know and then

how hard they will work to apply and control that knowledge."

Zuckerman points out that the consensus among researchers is that the scholarly community itself is partly responsible for the way scientific knowledge is used and the controls imposed on its production and distribution. The reason "why the scientific community has been so weak in resisting governmental incursions into free communication" is that "some have decided that outright conflict with those in power would be far too costly" (p 343).

faken as a whole, this volume can be helpful in obtaining a good understanding of some aspects of the present crisis of western social science in general, and sociology in particular, and also of the search for solutions, including Marxist ones. The understanding of Marxism, however, leaves much to be desired. Thus, Marxism does not fully belong to the macroscopic tradition (as in Smelser's presentation): it supersedes the micro-macro contradiction. Marx referred to the autonomy of the individual, for example in the Theses on Feuerbach: "it is men that change circumstances". In the present society this autonomy derives dialectically from oppression itself, as shown in every people's movement; and in the socialist society of the future from the absence of oppression.

## Ignored Current in Indian National Liberation Movement

A R Desai

Japan and the Indian National Army by Tilak Raj Sareen; Agam Prakashan, Delhi, 1986; pp 239, Rs 150.

A PROPER comprehensive, rounded history of the national liberation movement of India which would objectively and properly assess the contributions of various streams pursuing peaceful or coercive means to overthrow British rule is still to be written. A history freed from the uncritical culogising of the contribution of Gandhi and of late the almost idolatorous attitude to the Nehru family has not emerged as a dominant trend even after forty years of independence.

For instance, the contribution of Indian revolutionary nationalists, both within and outside the country, is not still systematically highlighted. These nationalist revolutionaries made immense sacrifices. They also endeavoured heroically to overthrow British rule by adopting strategies and tactical moves based on the use of force, including individual actions, guerilla warfare and armed struggles and creating revolutionary, antiimperialist disaffection in the army, navy and police to win them over to the freedom struggle. They sincerely wanted to smash the brutal steel-frame of British rule. A comprehensive story of the national liberation struggle making proper assessment of their role has been systematically avoided by the dominant historiographers and bards of the Nehru dynasty. Similarly, the contributions of grassroots struggles and the immense sacrifices of workers, peasants, the tribal population and the peoples of the Indian princely states still remain to be properly documented and assessed. The heroic and massive contributions of women, the vast half of Indian humanity (truly described as 'hidden from history'), in the freedom struggle are also still to be adequately brought

Against this background it is heartening that a sensitive group of social scientists and historians has been attempting to break through the curtan of silence drawn by the dominant, uncritical, eulogising history-writing scholars who have been turning the history of the liberation movement into worshipful Gandhiana or Nehruana. These sturdy scholars and researchers are facing various kinds of hurdles. In spite of these obstacles, they are digging up facts hidden under layers of fiction. They are slowly, boldly and with infinite care and caution placing the contributions of the different groups, parties and strata in their true dimensions hitherto ignored, underplayed or presented in a very distorted manner.

Tilak Raj Sareen belongs to this small but growing band of researchers. He has focused his attention and scholarship on understanding and highlighting the contributions of revolutionary nationalists who were outside India but who worked tirelessly and heroically to build up movements to secure India's freedom. Sareen has by now published four major works on the subject (1) India's Revolutionary Movement Abroad, 1905-1921, (2) Russian Revolution and India, 1917-21, (3) Russian Revolution and India: A Study of Soviet Policy towards Indian National Movement, 1922-1929, and (4) Japan and the Indian National Army. This review attempts to appraise the last study. This study is, to my knowledge, the first cohesive and systematic exploration of one of the most crucial phases in the history of the freedom movement. It is based on data collected scrupulously and painstakingly from various primary and secondary sources not easily accessible and scattered both in India and outside.

As Sareen points out, the study "is in continuation of my early studies relating to the activities of the Indian revolutionary nationalists abroad to achieve liberation. In their bid to overthrow the British by an

armed revolution, they aligned with many foreign powers. They joined hands with Germany during the two wars, forged an alliance with international communism after the Russian revolution for the same purpose. The objective was the same when they coltaborated openly with Japan and Germany during the Second World War. The present study is confined to the activities of the Indian revolutionary nationalists in east Asia, which began during the First World War and culminated in the formation of the Indian National Army and the Indian Independence League, with the backing of Japan. Besides the narrative of their activities, an analysis of the attitude of Japan to the question of Indian independence has been briefly outlined. An attempt has also been made to study the British reaction to this alliance with Japan and how to tried to malien it in the eyes of the world.

The narration is presented in eight chapters and ends with the author's conclusion. The book also contains a few appendices presenting what Sarcen considers vital documents necessary to understand the developments in their true perspective. The eight chapters, conclusion and appendices provide a very tich portrayal of the endeayours of the revolutionary nationalists who made Japan their base of operation and made an alliance with the Japanese army. According to Sareen, it should be clearly understood that this collaboration with Japan was not with a view to acting as a stooge or fifth column of Japanese imperial expansionist policy but based on the strategic consideration of building up a national army for liberating India from the British yoke in which task Japan was to be an ally and no more. Sareen has presented massive factual evidence gathered from many rare and confidential documents as well as personal interviews with entinent participants in the movement. He narrates how and under what conditions the revolutionary nationalists chose Japan as their major base of operation almost from the period before the First World War. He also points to the reasons for the Japanese government permitting, restricting or sometimes even actively encouraging the efforts of Indian revolutionaries. The book provides an interesting account of how the different nationalist groups united and differed and wanted to build a liaison with freedom fighters in India and strove to evolve different methods to realise their dream. In this work Sareen concentrates on the activities of these groups during the period from the 1930s to Indian independence, particularly the World War II period, i e, 1939 to 1945.

Sareen describes the efforts of the revolutionary nationalists which led to the lormation of the Indian Independence League and the Provisional National Army culminating in the formation of the Provisional Indian Government, with its base in the Andamans and Nicobar Islands, and the formation of the Indian National Army, a genuine alternative to the British Indian Army, a vital coercive instrument of the British rulers both for ruling the country and for fighting to project British imperial interests outside India. Sarcen highlights the contributions of a number of revolutionary nationalists, particularly those of Ras Behari Bose, Pritam Singh, Mohan Singh and Subhas Chandra Bose. He describes the difficult efforts of the revolutionary nationalist groups to win over Indians in various south Asian countries by pressurising the Japanese government to treat them differently and to consider them as a special category and to allow them to organise themselves as freedom fighters to liberate their motherland. Sarcen also shows how the revolutionary nationalists carried on then propaganda among the personnel of the Indian armed forces captured as prisoners of war, many of whom as a result emerged as disciplined soldiers of the autonomous National Army preparing to launch an oftensive to liberate India.

Sareen sensitively portrays the strengths and limitations of these groups. He also points out how they had to steer clear of Japanese imperial approaches to utilise them for its own purposes. This is highlighted in the fifth chapter on 'Crisis of Contidence: The Parting of the Ways between General Mohan Singh and the Japanese' as well as in subsequent chapters describing the assertions of Subhas Bose in this connection.

It is not passible in a brief review to describe the heroic steps taken, the ups and downs experienced or the exhibitation which the leaders of the Provisional government and the soldiers of the National Indian Army felt when they rechristened the Andaman and Nicobar Islands, the first territorial base of the Provisional Government, as 'Shahid' and 'Swaraj', liberating hundreds of Indians who were still imprisoned in that torture chamber of the British rulers, or when they planted the flag of free India on Indian soil after the Imphal expedition.

Surcen's is a pioneering work which enlarges our understanding of the freedom struggle by highlighting the contributions of a powerful current which is still not adequately understood and appreciated It challenges the assessment provided by our establishment historians. Sareen's otherwise path-breaking work would have gained greater depth if he had given his own appraisal of the nature and implications of the national movement launched and shaped by the Indian National Congress led by Gandhi. One expected some observations from Sareen on certain crucial issues with regard to the national movement led by the Congress. In particular some discussion on the following issues would have enhanced the value of the work: (1) The strength and basic limitations of the movement which was claimed to be non-violent and which resulted in the acceptance of a truncated independence on the basis of the unprincipled partition of the country on communal lines. We know how this resulted in a trial of violence and the

uprooting of peoples on a scale unparalleled in history, (2) The puzzling reluctance of the Congress leadership operating under the guidance of Gandhi to systematically work for creating disaffection among the armed forces and the police against the antinational functions they were made to perform by the British rulers and to persuade them to disobey and defy the government and thereby not only paralyse the British government but help build up a powerful alternative structure of administration and defence for the free Indian state. If the Congress had evolved a strategy of appealing to the armed forces to stregthen the liberation movement would it not have unleashed powerful currents which would have changed the course of the freedom struggle, accelerated the tempo of the struggle during the 1939 45 period and brought together the personnel of the armed forces and the activists of the popular movements? Would this not have prevented the holocaust of the unprincipled partition of the country and the communal fury and carnage whose legacy is with us even after forty years of freedom (3) The approach of the Congress of systematically keeping out, down-grading or even disowning the efforts by dissident

nationalists outside and inside the Congress to awaken and organise the people at the grassroots level, to create organs of struggle, to build up cadres of workers to take the initiative and activate masses to participate in these organs of struggle which could have developed into organs of the new independent state after overthrowing British rule. (4) The strengths and limitations of the other currents of the national liberation struggle which grew parallel to and even in opposition to the one generated by the Gandhi-led Congress. Even a few comments on this aspect would have helped us to pose a number of basic issues regarding the relative contributions of the various streams of the national liberation movement.

This valuable work underscores the urgent need to study the dialectics of the interplay of forces and currents in the national liberation struggle with a view to understanding the struggle in its full complexity and the lagacies which different currents have left for post-independent. India to grapple with Sareen's, contribution should be read by all concerned scholars and activists who are trying to understand the complex and, in a sense, unique freedom struggle that emerged in India.

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## Indo-German Economic Co-operation

THE history of Indo-German relations is marked more by cultural than by economic links. Students of history are aware of how Goethe praised the Sanskrit play 'Shakuntala', how Schopenhauer admired the Upanishads, how Max Mueller was called Moksha Moola and Paul Deussen called Devasena by their Indian admirers in loving appreciation of the pioneering studies made by these German Indologists.

While such 'manna' of mutual admiration may be nourishing enough in the sphere of literature and culture, it is unfortunately not solid enough to form the basis for profitable trade and commerce between the two countries. The base for a sound economic relation between India and Germany was laid much later, and got real momentum only after India's independence. However the first economic links date back as far as the 16th century.

Between the 16th and the 18th centuries, a number of German companies were established with the express purpose of trading with India and other east Asian countries, and every one of them was short-lived and had to be wound up. It was only in the 19th century that the German initiative in reviving trade with India proved moderately fruitful. The first German trade representation was set up in 80mbay and Calcutta in 1844, with the opening of consular offices by the Hanseatic and free city of Hamburg. The Consulate of Prussia followed in 1854 in both the cities, and the Consultate of Hanover in Calcutta in 1855. The trade volume increased gradually, and a regular shipping line was started a few years later between Hamburg and India In 1867 the German firm Siemens laid the first telegraph line between Calcutta and London. The first Indian branch of a German bank came to Calcutta in 1896. At the turn of the century, German imports from India were about DM 215 million, while exports to India were about DM 60 million.

Trade statistics in terms of rupees or marks over several decades are rendered invalid by the changes in currency values, but it may come as a surprise to many that the balance of trade was almost always in favour of India until India gained independence and launched its ambitious plans for economic development. The imports of iron and steel machinery, electrical equipment, chemicals etc, necessitated by the development plans led to a continuing trade deficit in Indo-German trade, which persists even today, although India has taken giant steps in import substitution.

Economic relations between India and Germany gained significant momentum only after India's independence, and took a considerable leap in 1953. In 1953, when the Indian government approached German firms to consult them about the possibility of jointly constructing a steelworks in India, neither side fully realised that they were taking the first major step towards what was to become a long and intensive partnership of economic co-operation. At the inauguration of the Rourkela plant on February 3, 1959, the president of India, Dr Rajendra Prasad made a speech that captured the essence of Indo-German relations in 1959. The president said,

The readiness of the German Federal Government to assist, the technical ability and spirit of co-operation of all those who have worked so hard—have alone made possible the bringing into being of the Rourkela steelworks. Old Indian tradition has it that 'Gyandan', the conveying of knowledge is a great good, a blessing beyond doubt for the recipient but an even greater blessing for the giver. I hope that you share this view with us and as you impart your technical knowledge to our people may you find your satisfaction therefrom in this new technical achievement.

The president's words continue to be relevant even today. Indo-German relations have flourished, showing no signs of abatement. There are indeed good reasons why this should not be surprising; reasons to believe that growth is anything but over and will in fact remain the pattern of the future for quite some time to come. This is because the Indian and German economies complement each other in their respective areas of strength. The greatest strength of the Indian economy no doubt, is its built-in capacity for sustained growth, buttressed by long-term planning and careful financial management. The strength of the German economy vis-a-vis India's needs is its ability to deliver first class technology in a broad spectrum of important fields, the increasing willingness to part with technical know-how and investible funds for co-operative ventures and last but not least, a strong and buoyant consumer market open to developing countries like India.

#### Indo-German Trade

A survey of the development of Indo-German trade since 1956 shows a highly irregular pattern. In the course of the last 31 years,

#### **TECHNOGERMA**

#### West German Industry Presents Itself in India

WHEN Germany surpassed the United States as the world's leading export nation, one thing became clear to everyone in international trade: Germany's most sophisticated trade instrument—the organisation of fairs and exhibitions—was and continues to be one of the driving forces on the road to this success. In 1986 alone German business participated in 1,800 fairs and exhibitions at home and abroad. In order to recognise the magnitude of this development, it must be seen against the background of the

Second World War when International trade ceased to exist, and when most business contacts with foreign partners had been ruined. German export activities then reached their all-time nadir.

However after the post-War 'German Miracle' recovery the Federal Republic quickly regained its reputation as one of the leading industrial nations in the world. The fact that Germany also established itself as one of the leaders of industrial high technology was for some time overshadowed by the spec-

tacular Japanese success in the field of consumer electronics and automobiles. Similarly, on account of a slow start, Germany's excellence in the field of computers and in semi-conductor research and technology is not yet universally recognised.

TECHNOGERMA INDIA '88 will demonstrate to the Indian business community the strength of German industry in the high-tech field and the willingness of German firms to share their know-how with India on its march towards the 21st century.

there have been times when the growth rate of India's exports to Germany plunged to minus 23 per cent (in 1967), and again when it rose to an unprecedented level of plus 55 per cent (in 1976).

German exports to India is also rather irregular. The growth rate have reached high points of plus 38.9 per cent in 1956, 37.5 per cent in 1957, 35.1 per cent in 1965, 29.8 per cent in 1974, 63.9 per cent in 1981 and 28.8 per cent in 1985. On the negative side growth rates have plummeted to as low as minus 27.8 per cent in 1968. In spite of these erratic short-term movements in the last 31 years, the overall development is marked by steady growth in both directions of trade.

Indian exports to Germany in 1986 were almost seven and a half times as much as they were in 1956. While German exports to India were only four times as much in 1986 as compared to 1956. This clearly shows that the export rate from India to Germany is accelerating almost twice as fast as the export rate in the reverse direction, which gives hope that the Indian trade deficit with the Federal Republic will eventually disappear.

The cumulative volume of trade also shows a trend of virtually uninterrupted growth. So far the total volume of trade reached its peak in 1985 when it was valued at almost DM 5 billion. It crossed the DM 2 bin mark in 1978, the DM 3 bin mark in 1981, and the DM 4 bin, mark in 1984. From 1969-1981, the total volume of trade continuously increased. After 1981 the total volume of trade has been on the rise, with only one exception in 1983, when it dipped very slightly before again continuing on the upward trend.

Along with the development in the volume of trade, there has also been a gradual metamorphosis in its composition. India's gradual development as an exporter of finished goods is easily perceivable. In 1956, the share of finished goods in the total share of exports from India were valued at only DM 0.9 million comprising of approximately 0.5 per cent of the total. In 1985 the value of finished goods exports from India was DM 597.1 million, or 40.6 per cent of total exports. As the share of finished products rose, the share of raw materials diminished. In 1965 for example raw materials constituted 34.5 per cent of Indian exports, whereas in 1985 these comprised only 5.7 per cent. German exports to India on the other hand continue to consist primarily of capital goods like machinery, vehicles, electrical goods, chemicals and pharmaceutical products

#### Indo-German Collaboration

The modern history of Indo-German collaboration dates back to the early fifties which, in addition to the Rourkela steelworks, include such outstanding collaborations like the Daimler Benz joint venture with TELCO and the Bosch factory in Bangalore, called MICO. Since 1959, India has not only attracted collaborations from big German firms but also from medium and small-sized undertakings. The first Indo-German joint venture, after India's independence was with the trading house of Protos Engineering, initiated by Mr Heller, who subsequently became the founder president of the Indo-German Chamber of Commerce

The formation of new Indo-German collaborations gained momentum in the mid-sixties, peaking to a record of 68 new agreements sanctioned in 1964. There was a period of relative stagnation in the late sixties and, early seventies, reaching a low of 22 new collaborations in 1968. Since then the climb has been upward, with occasional breathers. In 1986, the year of an all-time record, 183 such collaborations were sanctioned. The percentage of German collaborations sanctioned as a percentage of the total number of Indo-foreign collaborations has been steadily increasing, from 3 per cent in 1957 to 19 per cent in 1986 Until 1983, Germany ranked third in terms of India's foreign partners, after the US and the UK. Today Germany has the second highest share of the total Indo-foreign collaborations sanctioned, thus displacing the UK.

India's reputation as a growing industrial nation took a 'quantum jump' in the years subsequent to its massive participation in the 1984 Hanover fair. One manifestation of this is the record-breaking performance, with respect to the number of licence agreements and joint ventures sanctioned by the Indian government between Germany and India in 1984, 1985 and 1986. Of course India's newly liberalised policies and administrative reforms contributed greatly to this development. Technogerma India '88 is expected to provide a further boost to Indo-German economic relations, reaffirming Germany's place among the most technologically advanced nations in the world, and India's growing importance as one of the biggest and fastest-growing industrial economies in the world.

## Indo-German Joint Ventures A Successful Partnership

FOR the last twenty years the Federal Republic of Germany has been India's second most important partner for technology transfer in the form of joint ventures. The development in the last 3 years (1985-87) has seen a further significant increase in all forms of technical co-operations, particularly of joint ventures. From 1984-1985 the number of joint venture approvals almost doubled.

At the same time, the total amount of capital invested by German firms in India, amounting to DM 400 million or Rs 285 crore remains exceedingly low. When compared with the figures for total German investment worldwide (131.1 billion DM by the end of 1985 or Rs 1,00,000 crore), it becomes clear how shy German venture capital still is with regard to a developing country like India.

To go into this seeming contradiction between the popularity of joint ventures as a form of industrial co-operation, and the

low amount of capital invested was one of the reasons that prompted the DEG (German Finance Company for Investments in Developing Countries) and the Indo-German Chamber of Commerce to launch a comprehensive survey of all Indo-German joint ventures. The other reason was the increasing demand by prospective joint venture partners in Germany for first-hand information on the workings of existing joint ventures, so as to guide them in their decision-making and preparation for similar ventures.

#### German Partners Preferred

It appears from the study that German collaborators meet the high expectations of Indian parties seeking know-how. To the question: "In your opinion did the German partner make his technical contribution as foreseen in the beginning?", 93.2 per

cent of the persons responding answered with a clear "yes". Some considered German firms generally the best collaboration partners for high-tech areas. Many considered their partners from the Federal Republic of Germany as particularly co-operative and helpful and expressed the view "that their openness, generosity and truthworthiness" made for easy co-operation. The emphasis which German partners lay on quality and the direct, result-oriented manner in which they pursue their targets also came in for much praise. For their part, the German partners gave their Indian colleagues excellent grades.

#### Why a Joint Venture?

The most important motive for the founding of a joint venture, according to the study, is a desire on the Indian part to acquire German know-how and to expand their production programme to include products of better quality and higher technological standard. Apparently, "Made in Germany" continues to enjoy a very good reputation. For most of the Indian partners of joint venture undertakings, other reasons play a less significant role. For the German partners, "long-term expectations with regard to the market potential", "the opening up of new markets" and the "maintenance and expansion of an established market" are the most important motives for establishing a joint venture in India.

Joint ventures are founded instead of going in for pure licence agreements primarily (75.8 per cent of the answers) to ensure the long-standing involvement of the German partner.

#### **Modest Returns**

Financial rewards from the joint venture activity in India are judged predominantly as moderate. On a scale from 1 to 6 (1 = very positive, 6 = very negative), the firms covered by the survey rated the profitability of the joint ventures at an average of 2.29. Comparing the earnings of joint ventures with those of the parent company, 21 per cent of the German partners described the performance of the Indian venture as positive, while 34 per cent judged it to be negative. When compared to other joint ventures abroad, the performance of the Indian subsidiary was described as positive by 28.5 per cent and as negative by 35.7 per cent of the German respondents. In other words, the profitability of the Indian joint venture lies below that of the parent company and below the international average.

How is it then that in spite of the relatively modest returns by international standards, both the Indian and the German partners of the joint ventures consider their mutual involvement a success?

Asked whether in the light of their experiences so far, they would repeat their decision to go in for a joint venture with a German partner, 97 per cent of the Indian and 81 per cent of the German partners answered with an unequivocal "yes".

The answer, according to the study, lies basically in 3 factors: Firstly, the working relationship between the Indian and the German partners are generally very smooth and harmonious. The German partners, for instance, were found to be more cooperative and generous, particularly with regard to technical matters. In contrast to collaborators from other countries, no German partner is accused of hedging with the transfer of know-how or of hindering the export efforts of the joint venture company. 60.6 per cent of those interviewed were of the opinion that German firms were better business partners than other domestic and foreign companies.

Secondly, according to the study, the decision to go in for a joint venture and the evaluation of its success is not so much governed by short-term profit orientation as by considerations of long-term growth in a basically stable and expanding market.

Thirdly, influenced in no small measure by government policies and the tax structure favouring reinvestment rather than disbursement of profits, many of the joint ventures have recorded very remarkable growth. Some of the Indo-German joint ventures today have reached a size which is not only equivalent to a multiple of their original investment but has also made them an important factor in the Indian economy.

#### Foreign Exchange Earnings

An important and encouraging result of the study is its evaluation of the impact of the joint ventures on the Indian economy. Thus, it was found that in the critical area of foreign exchange flows, the Indo-German joint ventures directly contribute to the improvement of the Indo-German trade balance. According to the study, Indo-German joint ventures earn considerably more foreign exchange through exports than they give out in terms of profit transfers, payment of licence fees and royalties. In 1985-86 for instance, the 130 German joint ventures covered by the survey transferred Rs 93 million as dividends, Rs 41.3 million as licence fees in the form of lump sum and Rs 9.8 million as royalties, i.e., a total of Rs 144.1 million. On the other hand, in the same period, the joint ventures recorded export earnings of Rs 1.61 billion. Even if one were to add the costs of the products imported by the Indo-German joint venture companies from their German partners (1985-86 totalling Rs 577.1 million) to the foreign exchange costs, there would still remain a foreign exchange surplus of Rs 888.8 million.

This means that the technology transfer of the Indo-German joint ventures is not only "foreign exchange-neutral" from the Indian point of view but, instead, directly contributes to the improvement of the Indo-German trade balance

A comprehensive analysis of the benefits accruing from the operation of the joint ventures in terms of the balance of payments would naturally first of all have to take into account the import substitution effect. Since joint ventures are usually approved only if the products to be manufactured by them are not yet available in India (which means that they would otherwise have to be imported), almost the total value added, created by the joint ventures, can in most cases, be regarded as foreign exchange savings through import substitution. As the Indo-German joint ventures primarily manufacture investment goods, there is, in addition, a considerable multiplier-effect operating in this import substitution. It is therefore unquestionable that the conservation of foreign exchange is one of the most important economic contributions of the joint ventures for the Indian economy.

#### **Employment Opportunities**

Another significant contribution of the Indo-German joint ventures is the employment effect. The 168 Indo-German joint ventures have directly created some 80,000 jobs, while indirectly, they have been responsible for an immeasurably higher number of job openings. For instance, one firm alone reported that as a result of its activities 4,000 small enterprises with a total employment of some 1,00,000 came into being.

In 1985-86 a total of about Rs 442 crore was paid as personnel costs (wages/salaries/supplements). A range of voluntary welfare benefits and opportunities for further academic and professional training were offered to employees. The total sales value of all Indo-German joint ventures in 1985-86, according to the study, amounted to Rs 3,160 crore and the value added to Rs 1,517 crore. Direct tax revenue for the Indian government exchequer was Rs 592.2 million.



(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY' WITH LIMITED LIABILITY)

BALANCE SHEET OF BOMBAY BRANCH AS AT 31ST DECEMBER 1987

1986 Rs	CAPITAL & HABILITIES	Rs P	Rs P	1986 Rs	'	PROPERTY & ASSETS	Rs P	Rs P
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2,227,,68 132,182,215 396,114,913	(i) I toni Banks (ii) I toni Others  4 Barrowings from Other  Banking Companies, Agents etc.	9 141 514 74 111 <u>.99</u> 0 878 65	532,757,109 66			Investificate: At Lower of Cost or Market Value (I) Securities of the Central and State Convergments and other Trustee Securities including		
55,900,000 665,432 56,565 132	(c) In India (ii) Outside India Particulars Secured 1986 Secured 1987	58 61 <u>6 46</u>	28 649 46	98,885 000 - - -	(	Treasury Bills of the Central and State Covernments (0) Shares (0) Debentures or Bonds (a) Other Investments	6 502,600 00	
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25,555 (15 20,994,005 46,548 (20	He al Ollice & Itranci Outside India – Nei (ii) Others  8 Acceptances, Endorse-	2+,676,739-49 3-1,161,422-17	58 838,161 6G	75 701,202 2,916 051 261 515 181		Purchased (Excluding Ireasury Bills of the Central and State Governments (i) Payable in India (ii) Payable outside India	55,250,255 06 1,203,522 86	273,906,123,16
*140,28*,010 - ' <b>5</b> ,253,650	ments and Other Obligations Per Contra: 9 Profit and Loss Account		115 572 099 25 + 150,897 42	2		Bills receivable being Bills for Collection 2s Per Contra:		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
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431,135,787	(iii Trabibty on account of outstanding constant change Contracts			140,287,010	4	or Acceptances, En- forsements and other Obligations Per Contrai		115,572,099 25
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(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED HAIDLITY)

## BALANCE SHEET OF BOMBAY BRANCH AS AT 31ST DECEMBER 1987

1986 Rs. P	CAPITAL AND LIABILITIES  Rs. P	Rs P	1980 Rs	PROPERTY AND ASSETS  Rs P Rs. P
847 259,581	Brought Forward	812,525,721 75	756,906,607	Brought Forward 695,219.837 99
300,922,781 312,500,000	(Ili) Liability on account of Guarantees and Warranty Contracts given on behalf of Customers (including Guarantees given on behalf of officers— Rs 172,412) 408,126,095 '9  (Iv) Liability of Bills of Exchange Rediscounted 507,793,000 00  NOTE:  The provisions for Interest tax for earlier years from 1 1982 to 31.3 1985 have been made on the hasis of the stand taken by the Bank in the Returns of Chargeahle Interest filed by it with the assessing authority in respect of which no assessment has been completed so far Should the assessing authority take a different view in assessments, there-could he an additional charge for Interest tax amounting to Rs 21.56 lacs		7,063,844 74.165 7,138.009 712,600 6,125,109 6,466,017 1,594,278 8,060,295 1,542,970 3,517,525 1,463,371 12,814 1,831,621 2,706,505 72,343,129 2,053,000	8
			80,410,240	11 Non-Bankings Assets Acquired in Satisfaction of Claims: 12 Profit and Loss Account:
847,259,581	GRAND TOTAL	812,525,721 75	847,259,581	GRAND TOTAL 812,525.721.7

per our attached report C. C. CHOKSHI & CO. By the hand of D.D. SHAH Partner Chartered Accountants Bombsy—1 Feb 1988

(H FRESE) Chiel Executive Officer (India) (B KRISHNAN) Chief Accountant



(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED LIABILITY)

## PROFIT AND LOSS ACCOUNT OF BOMBAY BRANCH FOR THE YEAR ENDED 31ST DECEMBER 1987

Previous Year Rs	FXPI NDI 11 RI	Rs P	Previous Year RS	INCOM! (Less Provision made during the year for Bad and Doubtful Debts and other usual or necessary provisions)	Ř, P
22,144 791 1 756,009	1 Interest paid on Deposits, Borrowings etc. 2 Salaries, Allowances Provident Fund Oc. 3 Directors and Local Committee Mendocis.	52 "26 292 81 6, (0) 200 13	10,252 15H 9 159 441	t Interest and Discount  2 Commission Exchange and Brokerage  3 Rous	16,448 914 09 11 144.798 25
15,500 5 26,5 537 1 975 540,527 45,080 1,249 685	Forectors and total comminee stenders  1 Rent, Taxes, Insurance Tighting etc.  5 Law Charges  6 Postages, Telegrams and Stamps  7 Auditors Tees  8 Depreciation on and Repairs to the Banking Company's property	15 - 90 (0) 5 022 567 13 1 000 (0) 98 1 710 88 - 0) (00(0)		Net profit on Sale of Investments gold and silver, land, premises and other assets (nut credited to reserves or any particular land or Account)  Net profit on revaluation of Investments gold and silver land premises and other assets (not credited to reserves or any particular fund or Account)  Income from non-banking assets	1,169,640 07
9,588,257 5.253.650	9 Stationary, Printing, Advertisement etc. 10 Lass from sale of or dealing with non- building assets. 21 Other Expenditure (including proportion of Head Office expenses). 12 Profit	702 8 (7 95 10,669 0 19 10 1 150 897 (2	14 757 	7 Other Reccipts 8 Jacos	29 407 00
49,725,549		62 492 789 11	19,725,549		62,392,789 41

Remuneration paid to the Chief Executive Officer (India)

1987 162 ന്ന്ന് നർ

Estimated monerary value of benefits or perquisites

1986 000,100

123 156 00 00 805

Per our attached report C, C. CHOKSHI & CO By the hand of D. D. SHAH Chartered Accountants Bombay-1 FEB 1988

on Income Tax basis

(H FRESF) Chief Executive Officer (India) (B. KRISHNAN) Chief Accountant



(INCORPORATED IN THE FEDERAL REPUBLIC OF GERMANY WITH LIMITED LIABILITY)

Schedule of Particulars of Advances required by the Banking Regulation Act, 1949 (Act X of 1949) attached to and forming part of the Balance Sheet as at 31st December, 1987

Previous Year Rs		1987 AMOUNT Ro 15	Previous Year		1987 AMOUNT Rs. Ps.
13-1,065,396 01 46,136,776 84 81,343,307 65	(i) Debts considered good in respect of which the Banking Company is fully secured  (ii) Debts considered good for which the Banking Company holds no other security than the debtors' personal security  (iii) Debts considered good, secured by the personal liabilities of one or more parties in addition to the personal security of the debtors  (iv) Debts considered doubtful or had, not provided for	139,778,30+ 09 35,601,49 <b>)</b> 18 100,526,328 19	3,356,598 30  3,356,598 30	(v) Dehts due by the Directors or Officers of the Banking Company or any of them either severally or jointly with any other persons  (vi) Debts due by Companies or firms in which the Directors of the Banking Company are interested as directors, partners or managing agents or in the case of private companies as members  (vii) Maximum total amount of advances including temporary advances nade at any time during the year to Directors or Managers or Officers of the Banking Company or any of them either severally or jointly with any other persons  (viii) Maximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the Banking Company are interested as directors, partners or managing agents or in the case of ppisate companies as members  (ix) Due from Banking Companies	4,557,409.35 4,557,409.35
.261 <sub>1</sub> 545,180 50		273,906,124 46			

## Auditors' Report on the Bombay Branch of Deutsche Bank (Asia) Under Section 30 of the Banking Regulation Act, 1949

We have audited the attached Balance Sheet of the Bombay Branch of Deutsche Bank (Asia) as at 31st December, 1987 signed by us under reference to this report, and the relative Profit and Loss Account of the Bombay Branch of the Bank for the year ended on that date, with the book's of account maintained and produced to us at Bombay

In accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with the provisions of Sub-Sections (1), (2) and (5) of Section 211 and Sub-Section (5) of Section 227 of the Companies Act, 1956, the Balance Sheet and Profit and Loss Account, logether with the notes thereon, are not required to be and are not drawn up in accordance with Schedule VI to the Companies Act, 1956. The accounts are, therefore, drawn up in conformity with Forms A and B of the Third Schedule to the Banking Regulation Act, 1949.

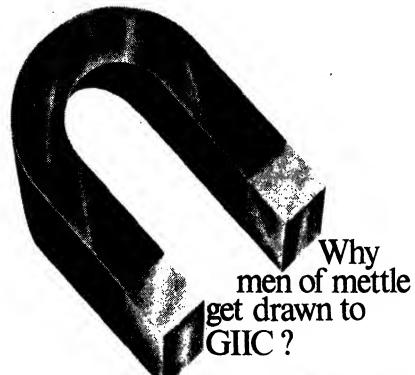
We report that subject to and read with the foregoing remarks and subject to note regarding short provision of Rs. 21.56 lacs for interest tax:

(1) We have obtained all the information and explanations which to the best of c ir knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory.

- (2) the transactions which have come to our notice have been, in our opinion, within the powers of the Bombay Branch of Deutsche Bank (Atla)
- (3) in nor opinion, proper books of account as required by law have been kept by the Branch so far as appears from our examination of those books.
- (4) the above mentioned Balance Sheet and Profit and Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account.
- (5) in our opinion and to the best of our information and according to the explanational given to us, the accounts together with the note thereon give the information required by the Companies Act, 1956, in the manner so required for Banking Companies, and on such basis give a true and fair view in the case of the Balance Sheet, of the state of affairs of the Bombay Branch of the Bank as at 31st December, 1987 and in the case of the Profit and Loss Account, of the profit of the Bombay Branch for the war ended on that date

C C CHOKSHI & CO By the nand of D D. Sbah Partner Chartered Accountants

Bombay, 1st February, 1988.



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# Imperialism and Growth of Indian Capitalism in Twentieth Century

Aditya Mukherjee Mridula Mukherjee

This paper discusses the Indian experience of development since independence, with the emphasis on trying to relate the specific development path followed by the country to the historico-structural conditions in which it was placed. The first two parts of the paper highlight the nature of the political, economic and ideological development of the Indian bourgeoisie in the colonial period as well as certain trends in the colonial economy before 1947. The actual trends that have emerged in the Indian economy since independence as a result of the specific path of development that has been followed are outlined in the third part. Part four discusses certain other factors which are crucial to the path of development followed, viz, the nature of the hegemonic ideology in the Indian national movement as well as in Indian society after independence, the role of political democracy, the balance of class forces since independence, the role of the state and the public sector and the size of the Indian home market. The authors conclude with a discussion of some of the political implications of post-independence Indian development.

INDIA has received far less attention than it deserves in the field of political economy of development of post-colonial societies of the third world. Much of the vast body of recent literature on the development strategies followed by newly industrialising countries (NICs) focuses almost exclusively on Latin America, East Asia and Africa, It either does not take into account the qualitatively different experience of India or relegates her experience to an almost embarrassed footnote. This may be because the Indian experience does not fit into the neat models put forward by a wide range of 'dependency theorists', neo-marxist world system analysts or the current 'liberal' reincarnation of the post Second World War 'modernisation' theorists. Or is it because of India's failure to be spectacular, either as a success (in terms of rate of growth) like East Asia or as a disaster like several countries of Africa and Latin America?

In this essay we propose to discuss the Indian experience of development since independence in 1947. Our framework for discussion will not be the usual one of assessing the relative merits or demerits of certain policy options or strategies such as export-oriented industrialisation (EOI) or import substituting industrialisation (ISI). We believe that these options cannot be evaluated in a historical vacuum as their success or failure is inextricably linked up with a large number of historically specific conditions. Instead, our emphasis will be on trying to relate the specific path followed by India to the historico-structural conditions in which it was placed.

The first two parts of the paper will highlight the nature of the political, economic and ideological development of the Indian bourgeoisie in the colonial period as well as certain trends in the colonial economy before 1947. These two aspects were extremely important in determining the nature of the state and economy at and after

**Y** 

independence. In the third part we will outline the actual tiends that have emerged in the Indian economy since independence as a result of the specific path of development that was followed. In part four we will discuss certain other factors which were crucial to the path of development followed by India, viz. the nature of hegemonic ideology in the Indian national movement as well as in Indian society after independence, the role of political democracy, the balance of class forces in India since independence, the role of the state and the public sector and the size of the Indian home market. In part five we conclude with a discussion of some of the political implications of postindependence Indian development.

## l Economic Basis Before Independence

Recent writings of radical left scholars like Samir Amin (1974a: 33ff), A K Bagchi (1973), Hamza Alavi (1975, 1982), Ernest Mandel (1962: 480), etc, implicitly assume that colonial economies, or even postcolonial peripheral economies after achieving political independence, necessarily developed in a faction which led to the further structuring in a dependent fashion of these economies and their bourgeoisies, making it impossible for them to break out of this dependent status without opting out of the world capitalist system altogether. This task naturally could not be performed by the dependent bourgeoisies of colonial and neo-colonial countries.2 This formulation is generally made on the basis of the experience of certain colonies and neocolonies of Latin America, Africa, etc. which exhibit certain specific growth patterns, and is then sought to be generalised, almost as a kind of law of development, for . all colonies and ex-colonies. The study of the actual historical evolution of the colonial

economy and colonial bourgeoisie (in the case of the latter particularly its political and ideological evolution) of a country such as India, which demonstrates a different tendency, is not even attempted. A significant body of Indian communist thinking since as early as the 1920s also more or less fell into the same pattern and made similar assumptions, and therefore, naturally diagnosed the inevitability of the bourgeoisie's 'sell out' to imperialism and argued that the struggle for national liberation could, in such a situation, only be led by the working class [A Mukherjee, 1981].

However, when we actually examine the developments in colonial India, especially since the First World War, we find that there were significant changes occurring in the Indian economy and a certain measure of economic development was taking place, albeit in spite of and in opposition to colonialism, which enabled the Indian capitalist class to grow and establish a considerably large independent economic base for capital accumulation even in the colonial period, and on a qualitatively bigger scale since independence. The economic position at least, therefore, did not appear to preclude the possibility of the emergence of a national bourgeoisie and independent national development: in fact, on the contrary, it facilitated the process.

Let us take a very brief and schematic look at some of the economic trends that emerged in India during the colonial period.

First, a major and generally undisputed development in the Indian colonial economy in the twentieth century was the initiation of a rapid phase of import substitution in most of the major consumer goods industries and certain intermediate and capital goods industries like textiles, sugar, matches, cement, paper, iron and steel, etc. [Subramanian and Homfray, 1946: 48-50]. This process began in the early twentieth century, picked up by the First World War

and the 1920s, got a major push in the 1930s and the Second World War period, and took a quantum leap in the years following independence. In any case, by 1939, India was more or less self-sufficient in her major consumer goods requirements. Significantly, the bulk of this process was occurring under the aegis of independent indigenous capital.

Second, apart from import substitution, there was a growing tendency towards inward orientation, with indigenous producers, who were earlier producing for export, shifting towards the home market, a good example being the cotton textile industry [Bagchi, 1972: Ch 3 and 7].

Third, while India's total volume of international trade since the First World War was showing a general decline, her internal trade in many basic items like cotton manufacture, sugar, iron and steel and cement, increased about two to three times [Subramanian and Homfray, 1946: 45, 51]

Fourth, there was in this period, for a multiplicity of reasons, a rapid shift of traditional 'pre-capitalist' accumulations in trade, usury, landlordism, etc. to industry. While many of the princes financed big industry, a lot of trading usury capital went into smaller enterprises [Levkovsky, 1966; 233 ff, 319].

Fifth, as compared to the pic-First World War period, in the post-war period upto 1945 there was a gradual and more consistent shift in the pattern of foreign trade. The proportion of manutactured goods in total exports showed a significant merease, and in total imports showed an even more significant decrease. Conversely, the proportion of raw materials in total exports showed a definite decrease and the proportion of raw materials and capital goods (as distinct from consumer goods) in total imports showed a comparative increase [R L Varshney, 1965; Subramanian and Homfray, 1946; 47]. This tendency towards a reversal of India's traditional colonial pattern of foreign trade suggested a considerable amount of indigenous industrial growth. However, if a static view is taken at any point of time, the structure of foreign trade was still clearly colonial.

Sixth, contrary to traditional belief,3 the actual net inflow of foreign capital to India was never very large and was particularly insignificant in the area of industrial investment. Most foreign capital in the twenticth century came in the form of loans to meet the balance of payments deficits caused not in a small measure by the unilateral transfers made to the metropolis in the form of home-charges and by interest charges and dividends accruing due to earlier foreign loans and investments. In fact, if one pitted the outflows on current account due to interest, dividends and home charges against the net inflow due to foreign borrowing on the capital account, one would find that there was an outflow of capital from India virtually throughout the colonial period and certainly since the First World War Bagchi, 1972: 160; Bannerji, 1963: 195, 200]. However, even if one considers only the

flows in the capital account, then also it is clear that foreign capital flow fell off after the brief spurt of the early 1920s, and, by the early 1930s, Indian repayments and repatriation of foreign debt and earlier foreign investments exceeded fresh invesiments, i e, there was a net outflow of foreign capital [Bannerji, 1963: 195, 200]. The process of repatriation which began in the early 1930s picked up after 1925, and, with the onset of the Second World War, both repatriation of sterling public debt and retirement of private foreign loans and investments increased rapidly [Kidron, 1965: 53ff; Bannerji, 1963: 195, 200]. It was in fact during the Second World War, when Britain made large war purchases in India, that India ceased to be a debtor country and by the end of the war had accumulated as credit against Britain a whopping sterling balance of nearly 15,000 million.4 Not only did the growing dependence on the London money market cease, the economy had in fact acquired a major bargaining position.

Further, for a variety of reasons, areas where traditional foreign capital dominated, e g, plantations, jutc, foreign trade underwent a relative stagnation after the First World War. Also, a dual process of repatriation and Indianisation of this traditional foreign capital set in. On the other hand, compared to the rapid growth of indigenous enterprise in this period, the intrusion of the new type of foreign capital in the form of direct investments by multi-national corporations, which began in the early 1930s and 1940s, remained very small till independence. And, as we shall discuss later in the essay, though such investments did increase considerably post-independence, they were kept under strict control and never allowed to acquire a dominant position in the country.

Last, between 1914 and 1947, the Indian capitalist class, through a process of economic and political struggle, and taking advantage of the two wars and the Great Depression [Chandra, 1970] as well as the specific crisis faced by British imperialism during those years, was able to significantly increase its hold over the Indian economy vis-a-vis foreign capital. This was achieved chiefly through the following three processes: (a) by entering new areas and accounting for the overwhelming proportion of the new investments made since the 1920s, c g, in sugar, cement, paper, heavy chemicals, iron and steel [Bagchi, 1972: 83ff, 192ff; Ray, 1979: Ch 3]; (b) by edging out or encroaching upon in greater or smaller degree the various traditional areas of European influence and dominance, e g, banking, life insurance, jute, textiles, shipping, foreign trade, coal, tea [Kidron, 1965: Ch 2; Bagchi, 1972]; (c) through a faster growth, in terms of investment and output, of areas where Indian capital dominated, as opposed to those where European interests were dominant, e g, cotton vs jute, Bombay and other interior regions vs Bengal and the metropolitan centres, home market-oriented industries vs export-oriented industries like jute and plantations, internal trade vs foreign trade and so on [Bagchi, 1972: 83ff, 433ff].

A study done by the Gokhale Institute in 1951 clearly shows that the control of Indian capital in the large industries in India extended rapidly in comparison with European control between 1915-16 and 1943-44. By 1944, Indian private capital controlled about 62 per cent of the large industrial units employing 1,000 or more workers, and about 58 per cent of the labour force in such factories. The corresponding figures for British private capital were 27 per cent and 32 per cent. Indian capital thus controlled more than twice the number of the larger units controlled by British capital and slightly less than twice the labour force employed in such factorics [Gokhale Institute, 1951; and Roy, 1953: 18-20].

However, while private British capital still had a significant share of the larger establishments, these constituted only 4.7 per cent of the total factory units and employed 57 per cent of the labour force [Roy, 1953: 2]. In the rest of the factories, representing 95.3 per cent of the total units and employing 43 per cent of the labour force, Indian control was absolute. This made the total Indian share in modern factory industry including small scale industry very high indeed.

One may point out here that the political and economic significance of total Indian control over the small scale sector has been generally ignored, and bears a lot of emphasis. Recent works show that despite a much faster rate of growth of large scale manufacturing compared to the small scale sector, the income generated from the small scale sector was larger than that generated in large scale manufacturing till as late as 1941 [Sivasubramaniam, 1977]. Besides, the fixed investments and total capital employed in certain sectors like flour mills (rarely noticed and entirely Indian) was far greater than that employed in areas such as woollens, soap, glass, matches, basic chemicals, etc [Levkovsky, 1966: 287]. Politically, too, the fact that the entire small sector in India was Indian-owned, as contrasted to other colonies like Egypt and Indonesia, where it was Greek, Syrian, and Chinese, would have interesting connotations regarding the size, strength and politics of the indigenous national bourgeoisie, and the potential of imperial divisive tactics.

Estimates of the rough share of Indian capital in the domestic market have also been made. On the eve of independence, the share of foreign enterprises in the total gross output of Indian industry was only 25 per cent. Since roughly half of it was for export, one can say that about 12.5 per cent of the internal market was covered by foreign enterprises in India. If we add to this the share of the market that was supplied by imports, it emerges that foreign capital both from within and outside the country controlled not more than 27 of 28 per cent of the domestic market [Shirokov, 1973: 48-49]. This left about 72-73 per cent of the

domestic market for indigenous enterprise even. before independence.

In the financial sphere too, where earlier European capital was supreme, the Indian bourgeoisie made massive inroads. While in 1914 foreign banks held 70 per cent of the deposits, by 1937 they held 57 per cent, and by 1947 a mere 17 per cent [Kidron, 1965: 42; Gokhale Institute, 1951]. In the 1940s, Indian companies showed rapid growth ir the insurance business as well, especially in life insurance. Also, the assets and paid up capital of the larger Indian companies expanded rapidly in the 1940s leaving the top European houses far behind. 7

The various factors listed above suggest that what are considered to be some of the typical disarticulating features of an extroverted colonial economy [See Alavi. 1979; Amin, 1974a: 15ff] were, to an extent, however hesitatingly, getting reversed, even within the over-arching colonial structure. First, there was a growing tendency towards surplus value being appropriated through extended reproduction in the colony, and it was being accumulated and invested by an independent indigenous bourgeoisie though within the constraints of a colonial economy. We emphasise this because it is very different from extended reproduction not taking place in the colony or extended reproduction occurring in the colony but surplus value being appropriated by a metropolitan bourgeoisic and invested in the metropolitan countries. Second, there was a growing tendency towards indigenous industry being articulated with the indigenous agriculture and the home market. The typical colonial feature of colonial agriculture being articulated with metropolitan industry and the home market with metropolitan industry was showing a decline. Third, the hold of foreign capital was declining and the indigenous bourgeoisie liad gradually acquired-a dominating position in the indigenous production sphere, as well as the home market. Last, the Indian economy, like the indigenous bourgeoisie, had acquired a minimal strength and bargaining position vis-a-vis the metropolitan centre. Good examples of this change were the shift from being weighed down by huge debts to accumulation of large foreign exchange balances, and the colonial bourgeoisie's ability to bargain effectively while associating with foreign capital in setting up enterprises [See A Mukherjee, 1979: 140ff] or while negotiating trade agreements with Britain.8

Thus the Indian economy and the Indian bourgeoisie were in a much stronger position compared to most other colonies on the eve of independence. In any case, India at that moment did not appear to be in the most opportune phase for the 'ushering in of dependent capitalism' or neo-colonialism as some would put it.

Having said all this, it is absolutely necessary to clarify that all the developments we have listed above, suggesting the growth of a certain level of independent capitalism within the colonial structure, did not occur

as a result of colonialism. They were not produced by colonialism itself but were a product of the space wrenched from it. It is easily demonstrable that all the developments listed above occurred, to list some of the causes, either (a) in struggle, political and economic, against imperialism, whether through the national movement, legislative assemblies, business chambers or directly by entrepreneurs, as in shipping, or (b) when the grip of imperialism weakened or loosened due to world factors autonomous of the logic of the colonial system, such as the world wars and the depression, or (c) when the principal metropolis lost out in competition to other metropolitan centres and preferred to permit indigenous enterprise in the colony to grow rather than allow other foreign powers to capture the colonial market, e g, protection to cotton, iron and steel, matches and sugar being related to competition from Japan, Belgium, Germany, Sweden and Java (a Dutch colony), or (d) due to the inner contradictions of colonialism itself, e g, when the increasing need for 'evenue from the colony to enable remittance or drain could no more be met from a stagnating or even declining agricultural sector but had to be met through import tariffs, thus providing indigenous manufacture a certain amount of protection. In other words, the specific non-colonial type of developments in the twentieth century occurred not as a result of colonial contact but in spite of or in opposition to it.

This clarification is necessary in order to counter the crude notions of 'decolonisation' popular both in right wing and left wing interpretations.9 The notion of decolonisation has implications such as that imperialism was pulling out, of its own volition, as the colony ceased to pay, or that imperialism now continued in an altered form, and it was encouraging industrialisation and therefore, the colonial bourgeoisie had no basic contradictions with it. The reality was very different. Though the Indian capitalist class increased its strength, imperialist exploitation and the consequent underdevelopment did not cease, and the colony, far from ceasing to pay, was subjected to a greater and more blatant direct appropriation of surplus through currency manipulations, forced loans, large military expenditures and numerous other unilateral transfers. 10 Also, though India's importance as a market for British goods, in terms of volume of imports, had declined, she remained nevertheless one of Britain's most important markets [Tomlinson, 1979; Chatterjee, 1981]. The Indian economy till 1947 remained essentially backward and structurally colonial. In 1947, India was still a basically agricultural country with a very small secondary sector both in terms of output and employment. Imperialism continued to put major fetters on industrialisation. Foreign capital continued its hold in certain sectors and the dependence on the world capitalist system for capital goods and technology remained—a dependence which the Indian capitalist class and later the independent Indian state made efforts to break, not without considerable success.

The reason we have emphasised the specific non-colonial type of developments occurring in India in the twenticth century is to suggest that the economic situation in India had become one where it was by no means impossible for an independent national bourgeoisie to develop. In fact, the strength of the Indian bourgeoisie and the Indian economy at independence was far greater than was the case in most other post-colonial societies at a comparable stage, and this had important implications for post-independence development.

#### H

## Indian Bourgeoisie Before Independence: Politico-Ideological Dimension

Let me state at the outset that a colonial capitalist class cannot be characterised or its position derived as being either national or comprador, anti-imperialist or collaborationist, simply on the basis of its economic position and that of the colonial economy vis-a-vis the metropolitan bourgeoisie and the world capitalist system, respectively. The position of the class is equally importantly determined on the basis of its specific historical evolution at the levels of its political and ideological consciousness and practice. 11 There is, in fact, the possibility, as appears to be the case for the Indian bourgeoisie, as well as perhaps the Indian national movement, of the class and the movement being politically and ideologically very advanced, in a sense 'over-developed' or 'over-determined' as compared to their 'objective' economic bases. To put it in other words, the process of the formation of the 'class for itself' could push far ahead of the process of the growth of 'the class in itselfthough both the processes were dialectically interlinked to each other. Also, the former process by pushing ahead could have important consequences in terms of quickening the pace of the latter process.

All this is not to deny the crucial importance of the economic position of the class vis-a-vis foreign capital and the metropolitan economy, but merely to put it in a broader perspective. One of the most striking features of post-First. World War colonial India was the extent to which the Indian capitalist class constituted itself as a class. It not only emerged as an economic category with a growing independent base for capital accumulation but was also able to organise itself on an all-India basis, successfully subordinating various intra-class conflicts as well as its short-term class interests to the long-term interests of the class as a whole, getting constituted politically as a 'class for itself and developing a hegemonic ideology vis-a-vis other classes and the nation. The fact that the capitalist class was ahead of any other class in India in almost all the above

aspects played an important part in determining the nature and course of the antiimperialist movement in India, which significantly ended with the establishment of an independent bourgeois order.

We shall now trace the political and ideological development of the Indian capitalist class and also its organisational strength during colonial rule. Since the early 1920s, efforts were being made by leading capitalists like G D Birla and Purshottamdas Thakurdas to establish a national level organisation of Indian commercial, industrial and financial interests. The initial objective was to create the capacity to effectively lobby with the colonial government [P T Papers. 1923, Fl 42, Pt 3]. This effort culminated in the formation of the Federation of Indian Chambers of Commerce and Industry (hereafter federation or FICCI) in 1927, with a large and rapidly increasing representation from all parts of India. The FICCI was soon recognised by the Brltish government as well as the Indian people as representing the dominant opinion as well as the consensus within the Indian capitalist class. By the end of the 1920s, the Indian capitalist class had succeeded in creating a class organisation on a national basis which effectively subsumed or subordinated various existing divisions within the class, in the long-term interest of the class as a whole.

The federation was treated as a platform from which redressal could be sought from the government for the immediate grievances of various sections of the capitalist class, and also as a forum for organising public opinion, both within the class and outside, on larger issues which affected not only the Indian capitalists but the Indian economy as a whole [FICCI, AR, 1941: 22-24; 1946: 71]. In the process the Indian capitalists, with some of the most astute minds of the period in their ranks, developed a comprehensive economic critique of imperialism in all its manifestations, whether it be direct appropriation through home charges, or exploitation through trade, finance, currency manipulations or foreign investments, including in their sweep the now fashionable concept of unequal exchange occurring in trade between countries with widely divergent productivity levels. 12 They kept a watchful eye on the complex national and international developments, especially those related to imperialism and which had a bearing on Indian economic development, and forcefully argued the national position.<sup>13</sup> The leaders of the Indian national movement often saw their assistance as invaluable and treated their opinions and expertise on many national economic issues with respect [PT Papers, Fl 42, Pt 2: 104]. The leaders of the capitalist class also clearly saw the role of the FICCI as being that of "national guardians of trade, commerce and industry", performing in the economic sphere in colonial India the functions of a national government [FICCI, AR, 1943: I50; 1944: 203].

However, the FICCI was not to remain merely a sort of trade union organisation of the capitalist class fighting for its economic demands and doing ideological propaganda to achieve the same. The leaders of the capitalist class clearly saw the necessity of the class effectively intervening in politics. As Purshottaindas, president of FICCI, declared at its second annual meeting in 1928: "We can no more separate our politics from our economics". Further, the intervention of the class in politics was to be on the side of Indian nationalism. "Indian commerce and industry are intimately associated with and are, indeed, an integral part of the national movement-growing with its growth and strengthening with its strength" [FICCI, AR, 1928: 4]. G D Birla was to confess a little later that, contrary to what was earlier anticipated, it was now clear that "It is impossible in the present... political condition of our country to convert the government to our views... the only solution ... lies in every Indian businessman strengthening the hands of those who are fighting for the freedom of our country", [FICCI, AR, 1930: 264].

On the basis of the above understanding, the Indian capitalist class constantly reacted to the existing national movement and evolved a complex strategy towards both its mass civil disobedience and constitutional struggle phases. 14

A few more comments about the politicoideological stance of the Indian capitalist class vis-a-vis imperialism and other social classes in India, such as the landlords and the working class, are in order. The position taken by the capitalist class on these issues had an important impact on the nature of post-independence developments.

One of the most persistent themes regarding the Indian bourgeoisic has been that (a) its dependence on foreign capital and interest in trade especially in imported goods, (b) its links with feudal land-owning interests and (c) its fear of the left or popular movements from below led it either to surrender or to repeatedly compromise and collaborate with imperialism. This argument was first put forward by the communists nearly 60 years ago in the 1920s, applying mechanically the experience of countries like China to India, and has been repeated in its substance ever since.15 Surprisingly, the same view continues to be held, with even less justification, for the post-colonial Indian bourgeoisie, not only by the different streams of the Indian communist movement, though with certain variations [see Chandra, 1981], but even in marxist academic writing [Patnaik, 1975: 77-78].

Let us take a look at these generalisations. First, as we have shown above, and discussed in detail elsewhere, the Indian capitalist class grew independently and in opposition to foreign capital and maintained a consistent opposition to domination by foreign capital. It somewhat softened its attitude towards foreign capital (even going in for collaborations with it) only when it had grown suffi-

ciently in strength and was convinced of being able, with the help of an imminent independent national state, to utilise foreign capital for its own economic development without succumbing to foreign domination [A Mukherjee, 1979]. However, the capitalists were quite clear that entry of foreign capital in crucial areas would not only wipe out Indian (national) concerns but also "fetter the hands of the future popular government of the country towards industrialisation on national lines" [FICCI, Proc of EC, 1934: 21]. Further, Indian capital was never dependent on foreign finance for resources for investment but only on foreign capital equipment and technology. This dependence did not lead to the acceptance of a subservient position but on the contrary to a concerted effort, first by the capitalist class and later by the national state, to overcome it with the help of a multipronged strategy [see A Mukherjee, 1976, 1978, 1979].

As regards the capitalist class's links with trade, particularly in imported goods, the overall strategy of the Indian capitalist class appeared to remain unaffected by it. The FICC1, in its entire history, not once argued for the expansion of these importing interests but on the contrary consistently agitated for reduction in imports through protection and other measures. In any case, the tendency to link trading interests, as distinct from industrial interests, with elements of compradorism [Sarkar, 1976: 120; Markovits, 1978: 47-50] flies in the face of the fact that in India the trading groups participated in the anti-imperialist agitations in a much more militant and active manner than the industrialists [Gordon, 1978]. This approach not only ignores the existence of considerable overlap between trading and industrial interests but also adopts a completely static view, missing the fact that these two interests were in fact parts of a continuum on which the former shifted to the latter over time. Besides, this reductionist tendency to mechanically link sections of the class with any one political position totally denics any role to ideology. And the Indian capitalist class had consciously adopted in broad terms the ideology of an "industrial national bourgeoisie".

It may be pertinent here to also deal with the shibboleth that the big bourgeoisie or, as some would have it, its monopoly crust [Levkovsky, 1966: 323] was more prone to collaborate with foreign capital and faced "no major conflict" with it [Bagchi, 1973; Roy, 1953: 89ff]. Our research, however, suggests that it was Indian big business, trying to enter areas like shipping, automobiles, locomotives, chemicals, banking and insurance, which felt most strongly the constraints created by Imperialism and faced stiff competition from foreign capital. It is not accidental that in the leadership of FICCI Indian big business was' very well represented.

In fact, the cause and the role of the very early crystallisation of tendencies towards

concentration and monopoly among indigenous capital have not been fully appreciated. This phenomenon was an aspect of a backward 16 and late 17 capitalism trying to emerge in a hostile colonial context where great concentration of resources with control over diverse areas with considerable vertical and horizontal integration 18 was perhaps the only way of effectively counteracting the "collective monopoly" 19 of the alien interests,

Second, the Indian capitalists class's 'links' with feudal interests have been greatly exaggerated and the role of these links in its being pro-feudal and in blunting its antiimperialism has been assumed and never actually demonstrated. None of the major business houses had "significant semi-feudal land holding" though "several of them" had "large-scale capitalist farms" [Chandra, 1972a: 141-169]. More importantly, the comprehensive reforms in agriculture suggested by the dominant section of the Indian capitalist class were geared precisely towards the undermining of the existing feudal and semi-feudal tendencies in Indian agriculture.20 They wanted land reforms which would abolish tenancy and rentier landlordism in favour of peasant proprietorship. The state was to, over time, "extinguish" the claims of the landlords over their lands by making a lump sum payment, and establish a class of peasant proprietors in direct contact with the state. Till this was achieved, security of tenure for tenants was to be assured and reuts were to be controlled to prevent speculative investment in land. Further, co-operativisation was to be introduced on a wide scale in the spheres of marketing to circumvent the hold of rural merchant usurers and secure remunerative prices for the direct cultivator, of finance, to "liquidate the burden of agricultural indebtedness" and of production, using compulsion if necessary, to meet the problem of small uneconomic holdings.21 Also, minimum agricultural wages were to be fixed and agricultural income tax was to be introduced on a graduated scale and if possible with an exemption limit. Last, productivity was to be increased by commencing a comprehensive programme of Irrigation, fertilisers and modern agricultural research, the results of which were to be popularised by introducing 'model farms' on the scale of one such farm for every ten villages. Clearly, the Indian capitallsts were proposing a programme of agrarian reforms which would free Indian agriculture of its semi-feudal constraints and usher in modern capitalist and peasant farming. That they did not support "radical agrarian programmes" in the sense of outright expropriation of landlords without compensation, or that they sought agrarian reform which was oriented not in favour of the landless labourers and poor peasants but that of rich and middle peasants and improving capitalist landlords, was not a result of their "'feudal' connections", as Sarkar [1976: 121] would argue, but of their being i a bourgeois propertied class.<sup>22</sup>

Much has also been made of the big landlords and "feudal" princes23 investing liberally in large business enterprises set up by Indian capitalists [Roy, 1953: Ch 8]. To our mind, this is no proof of Indian capitalists having "feudal links" which forced them to compromise with feudalism. On the contrary, this phenomenon is quite common in the transitional phase to industrial capitalism when traditional precapitalist accumulations (both from landlordism and rural trading-usury) are sought to be utilised in the new emerging system. Marx's notion of the second path, of capitalism from above, is relevant here. The crucial question is one of determining the direction in which the society and economy was moving, which in this case certainly was not that of feudalism. The continuing of elements of the old order does not necessarily indicate a capitulation to it.

What bears emphasis, however, is the fact that whatever, if any, be the 'links' of the Indian capitalist class with 'feudal' interests, these links did not lead to its adopting a profeudal and therefore, pro-imperialist stance. While, as we have seen, their economic programme undermined feudalism, politically, too, the Indian capitalists throughout kept their distance from the pro-imperialist landlords and princes, whether it be in legislative assemblies or at the round table conferences or in any other forum.

Third in India the 'fear of organised labour' or, to use the phrase of the 1920s, the 'menaec of the red spectre' never became, for a variety of reasons, strong enough to push the Indian bourgeoisie into the 'lap' of imperialism [see Chandra, 1972a; 1972b]. Whenever the left threat was seen to be becoming important, the extremely selfconscious Indian capitalists responded not by seeking help from imperialism but by attempting inter-alia to strengthen the right wing of the nationalist stream. In fact, the Indian capitalists evolved a subtle, many sided strategy to contain the left, no part of which involved a sell out to imperialism. For example, when in 1929 certain capitalists, to meet the high pitch of communist activity among the working class trade unions, attempted to form a class party where European and Indian capitalists would combine, the leaders of the Indian capitalist class firmly opposed this move. As G D Birla put it in 1929, "The salvation of the capitalists does not lie in join ing hands with reactionary elements" (proimperialist European interests in India) but in "co-operat(ing) with those who through constitutional means want to change the government for a national one" [PT Papers, Fl 42, Pt V). Purshottamdas was to reiterate the clearly perceived primacy of the national over the social contradiction, "... we are Indians first and merchants and industrialists afterwards /. "24

Further, the capitalists were careful not to attempt to "kill Bolshevism and communism with such frail weapons" as frontally attacking the left with class organisations of the capitalists, which would carry no weight with

"the masses" or even the "middle classes". As G D Birla clearly put It, "I have not the least doubt in my mind that a purely capitalist organisation is the last body to put up an effective fight against communism" [PT Papers, 1929, Fl 42, Pt Vl. A much superior method, as Birla was to clarify later in 1936 when Jawaharlal Nehru's leftism was seen as posing a danger, was to "let those who have given up property to say what you want to say". 25 The correct strategy was to "strengthen the hands" of the right wing nationalists such as "Vallabhbhai and Bhulabhai who are fighting against socialism".26 The government was also urged to give concessions to the right wing nationalists otherwise it would be "helping the socialists indirectly" [Birla, 1953: 194].

Further, the capialists were to encourage extensive ideological work through their "political and ideological representatives" to fight socialism [see A Mukherjee, 1976; 1978]. Simultaneously, the "root cause" or "raison d'etre of communism" was to be studied and steps taken to "alleviate poverty and discontent" and adopt a "sympathetic attitude" towards labour [G D Birla in PT Papers, 1929, Fl 42, Pt Vl It is with this perspective that the post-war economic development committee set up by the capitalists in 1942, which eventually drafted the Bonibay Plan, was to function. The committee was to recognise "the inevitability of a change in the direction of a socialist economy" and be "prepared to make such adjustments as may meet all reasonable demands before the socialist movement assume (d) the form of a full-fledged revolution". The attempt was to incorporate "whatever is sound and feasible in the socialist movement" and see "how far socialist demands eould be accommodated without capitalism surrendering any of its essential features". The eventual plan (Bombay Plan) was to therefore seriously take up the questions of equitable distribution, partial nationalisation, etc, with this objective clearly in mind [PT Papers, 1942, Fl 291, Pt 1]. "A consistent... programme. of reforms" was the "most effective remedy against violent social upheavals" [FICC1, AR,

The Indian capitalist class's response to the threat from the left was thus not one of panic, making it go over to the side of imperialism, but was a mature one. While remaining on the side of nationalism, it evolved a subtle strategy of combating the left—in certain respects pre-empting the worldwide successful attempts by post-war reformist welfare capitalist states to save capitalism as a system.

In other words, while the Indian capitalist class's strategy was definitely anti-socialist and bourgeois, it was not pro-imperialist. One may add here that the bourgeoisie's understandable inclination to remain within a bourgeois framework is often misinterpreted as its accepting or attempting to grow within the imperial framework. For example, Bagchi sees the capitalists' arguing for ". a capitalist order of society, international collaboration between capitalists of all countries, avoidance of drastic social change and respect

for the fundamental rights of property" as proof of their "remain(ing) imprisioned by some of the basic presuppositions of the British imperial system..." [Bagchi, 1972: 428], while all that it actually demonstrates Is their desire to maintain the capitalist system. This confusion arises because of the basic assumption made since the early 1920s, and which lasts till today, that colonial eountries could not break the hold of imperialism so long as they remained within the parameters of capitalism; only shooting out of the capitalist orbit into socialism could achieve this task.27 Given this understanding, being bourgeois by definition meant being proimperialist Consequently, quite often a political strategy of anti-imperialism which was at best bourgeois was seen as being proimperialist, or, at times, the non-pursuance of a revolutionary socialist strategy against imperialism was seen as compromising with imperialism. In reality, however, the Indian bourgeoisie, rather than attempt to remain and grow within the imperialist framework, built up a multi-pronged strategy precisely to undermine it; and the Indian national movement did succeed in overthrowing imperialism, though remaining, despite contending forces, under bourgeois ideological hegemony, and in establishing an essentially independent capitalist society, however weak and prone to dangers of potential neo-colonialism. 28

We have argued extensively elsewhere [A Mukherjee, 1982: 264-284] that the Indian bourgeoisie did not create, lead or even crucially determine or influence the course of the Indian national movement. It is nevertheless important to identify the bourgeois role in facilitating the maintenance of bourgeoisie ideological hegemony over the Indian national movement.

Most important in this connection was the fact that the bourgeoisie at no point abandoned the side of nationalism whatever the fear or provocation due to the radicalisation of the national movement or the temptations offered by imperialism [A Mukherjee, 1982]. If the bourgeoisie had gone over to the side of imperialism, it would have greatly facilitated the growth of the forces which argued for a simultaneous overthrow of imperialism and capitalism or at least for working class hegemony over the national movement. If, on the other hand, it did not, then eroding the hegemony of an ally in the task of overthrowing imperialism—the principal contradiction for all classes in colonial Indian society-would not be so simple. It would require a complex understanding of the concrete Indian reality and the evolution of equally complex strategy and tactics, a task the left failed to perform [A Mukherjee, 1981].

Second, the Indian bourgeoisie was aware that bourgeois hegemony in the antiimperialist struggle was to be maintained not by simply buying up, manipulating or pressurising the nationalist leaders [as argued by Sarkar, 1976; Gordon, 1978] but by successfully projecting its own class needs or interests as representing the societal interest or the interest of the nation; in Marx's words, by "... represent(ing) its interests as the common interest of all members of society".29 It was extremely conscious that it should not appear to be pushing-its own narrow class interest or putting class before nation, but as speaking in the interest of the Indian nation [see A Mukherjee, 1976]. Further, this projecting of a class interest as the rational interest is not achieved through manipulation, but in certain conjunctures by establishing a genuine eoalescence of the two. In a colonial society, for example, there was, up to a point, a genuine unity of interest between the national bourgeoisie and the rest of society, as all of them were oppressed by imperialism.<sup>30</sup>

Third, a major index of the maturity of a class is its ability to identify its broad longterm interest (i e, maintenance of its overall hegemony over the rest of society) and willingness to subordinate its narrow shortterm interest, sometimes at considerable cost, for the sake of the former. This perspective is necessary not only for sections within the class vis-a vis the class as a whole. but also for the class vis-a-vis the rest of sociey. The Indian capitalist class, particularly its leadership, demonstrated remarkable maturity in this respect. Further, the Indian eapitalists recognised the fact that a popular movement (and after independence a popular government) had to, to a certain extent, balance conflicting class interests [see A Mukherjee, 1978]. Each class, being aware that it could not directly claim sole hegemony over it, would have to act in a subtle way, essentially trying to ensure that the movement, despite contending hegemonies, remained in substance within the broad parameters of its class perspective.

Last, the failure or weakness of the left, which lagged far behind the bourgeoisie in its understanding of some of the aspects mentioned above, especially the subtle relationship between the class, the party and the nation, partially facilitated the continuance of bourgeois ideological hegemony over the Indian national movement. The left in its understanding of Indian society constantly tended to collapse the categories of class. party and nation, seeing a direct instrumental linkage between them. It failed to see the relative autonomy of the Indian national movement from all classes including the bourgeoisie and resorted to erude class reductionism [see Josh, 1981; Joshi, 1977; A Mukherjee, 1981, 1982].

Further, it was not enough, as the left has consistently tended to do, with some exceptions, to crudely attribute all possible socially reactionary roles to the bourgeoisie and hope that this would 'expose' the bourgeoisie, leading to a diminution of its influence or even its overthrow. When untrue, and sometimes blatantly so, such assertions carried little weight with the people. For example, the communist argument that the Indian bourgeoisie was comprador or essentially pro-imperialist and pro-feudal, and so was the Congress under bourgeois

pressure, and that independence achieved by such a bourgeoisie or party was not real independence at all, but was a sell out, contributed in no small degree to their alienation from the Indian people, who even in their common sense wisdom could see the falsity of these charges. What was necessary was to identify and recognise all the socially positive aspects of the Indian bourgeoisie, and then undertake the difficult task of demonstrating effectively why, despite these positive aspects, the bourgeois class perspective was inhibiting or preventing social progress along the most desirable lines. Again, a task the left failed to perform, even after independence. This led to the left remaining relatively weak and permanently "small and growing", never posing a serious enough threat to bourgeois hegemony.

#### III

## **Economic Trends Since 1947**

At independence India had certain advantages compared to most other post-colonial societies. We have already discussed some of . these, viz, the size, strength and independent character of the indigenous bourgeoisie and certain trends in the economy as a whole in the colonial period. However, despite the incipient trends in the reverse direction towards the end of the colonial period, the Indian economy in 1947 was still basically structurally colonial; an externally oriented, internally disarticulated economy, with a very weak infrastructural and industrial base especially in eapital goods; and a stagnant if not declining agriculture still dominated the economy.

In the years following independence a major effort was made to 'unstructure' the inherited eolonial structure. We will now briefly outline the nature of development in post-independence India, particularly the aspects which reflect as well as determine the Indian cconomy's linkages with the external world. In doing so, we will examine some of the indices used by 'dependency theorists' and neo-marxist world system analysts, etc. in determining the issue of peripheral or dependent development and self-reliant independent development. The attempt will be to highlight the sharp contrast between the paths followed by India and those taken by most of the developing countries of Latin America, Africa and East Asia.

## Foreign Trade

One of the striking features of the Indian economy since independence has been its extremely low dependence on foreign trade. The total foreign trade as a proportion of the country's GNP remained around 10-13 per cent only between 1953 and 1977. Unlike most of the post-colonial third world countries, especially the NICs, the export sector in India has not been crucial, accounting for only five to slx per cent of the GNP over this period [Kelkar, 1980: 23]. The Indian economy was thus no longer typically extroverted as it had become under the impact

of colonialism which had destroyed the traditional balance between agriculture and industry, turning the country into an exporter of raw materials and food and importer of manufactured goods, Indian production since independence has been primarily dependent on the home market and inter-sectoral exchanges within the economy. The Indian economy is thus to an extent not crucially conditioned by or dependent upon the changes occurring in the metropolitan economies. (For example, India's performance in the 1970s when there was a world depression was much better than that of the other Low Income Countries on the whole [Varshney, 1984: 1512].

Further, the commodity and geographical concentration of Indian exports has been declining significantly since independence. In other words, dependence on one or a limited number of products and a few, set trading partners for exports, so typical of most underdeveloped countries, declined visibly in India. A similar diversification was achieved in imports. Further, the dependence on western metropolitan countries for foreign trade declined substantially, being compensated by increase in trade with socialist and developing countries [Kelkar, 1980: 6-8].

Moreover, the composition of Indian exports was undergoing a further change along the lines of the trends which had started to an extent even before independence. Not only were exports any longer predominantly of primary products but even in manufacturing exports there was a shift away from traditional simple products, like textiles. For example, by 1977-78 nearly 60 per cent of Indian exports were of manufactured goods, a large part of which was accounted for by technologically intensive products like engineering goods, electronics, consultancy, computer software, etc. A very significant aspect of India's export sector was that it was developed preponderantly by indigenous capital. In the 1970s, transnational corporations did not contribute even five per cent of India's exports [Kelkar, 1980: 7, 15]. There did not emerge an 'export oligarchy' as in Latin America, with important influence over the state and state policy.

## ROLE OF FOREIGN CAPITAL

We have already noted the trend towards the declining influence of foreign capital in the Indian economy in the colonial period, especially since the 1930s. Immediately after independence, India, with plans for rapid industrialisation, needed and allowed direct foreign investments, though under strict controls laid down by the independent national state. Foreign capital was severely curtailed in the traditional areas preferred by it during colonial rule, I e, extractive and other export industries, plantations, foreign trade, banking, insurance and consumer goods industries for the home market (areas relatively easily substituted by indigenous private and state enterprise). It was on the other hand encouraged to come into high technology areas, especially capital goods industries producing for the home market. Here, too, restrictions were placed on the exporting of the multiplier effects of foreign investments through the use of foreign raw materials and intermediate goods and the attempt was to encourage the progressive use of indigenous materials. The new foreign capital that came after independence in fact did go into modern technologically advanced sectors of industry and that too increasingly not in branches of European companies but in subsidiaries or more frequently in ventures involving minority foreign participation [Patnaik, 1975: 61]. As Arun Bose, in his excellent study, concluded: the 'slogan' at independence was "foreign capital must either flow into manufacture for the home market using indigenous materials or 'dry up'." [1965: 525].

There are some other very significant aspects of the role of foreign capital in post-independence India (whose importance is often not seen), all of which were geared to ensuring that foreign capital did not acquire a dominating position in the national economy.

First, the total volume of foreign capital as a proportion of the aggregate national economy was always kept fairly low. Figures showing that the share of foreign capital in total private investment in India increased in the first three plans (i e, 1951-56, 1956-61 and 1961-66), from 13 per cent to 23 per cent to 24 per cent, are often quoted to show increasing domination of foreign capital in India [see Meghnad Desai, 1975: 23]. What is ignored is that the share of private investment itself in total investments had been declining sharply, from 53.6 per cent to 45.4 per cent to 39 per cent, over the first three plans [Mundle, 1974: 5]. Though in absolute terms foreign investment increased quite rapidly, its relative share in the economy in fact declined between 1948 and 1974-public sector investment and private Indian investment grew much more rapidly, especially towards the end of the period [Martinussen, 1980a: 18]. An indication of the rapid growth of the public sector can be got from a look at the statistics of joint stock companies. The total paid up capital in government companies represented 75 per cent of the entire corporate sector's paid up capital in 1978, having risen from 3.4 per cent in 1951 to 30 per cent in 1961 and to about 50 per cent in the early 1970s [Martinussen, 1980b: 24-25]. In terms of total volume, too, foreign capital in the Indian economy was very small—the total accumulated foreign private investment in India (split up among an increasingly larger number of nations) upto 1974 being a meagre Rs 19,430 million [Martinussen, 1980a: 18]. This amounted to less than three per cent of the GNP of just the year 1974 and about 20 per cent of the net domestic capital formation of again only that year, at current prices [Basic Statistics, 1981: 15]. In fact, the foreign exchange

tinuously since 1977 were themselves about two-and-a-half to three times higher than the entire foreign private investments till 1974 [Basic Statistics, 1981: 121]. (Hypothetically just the foreign exchange reserves could buy out several times over the entire foreign private investments in India).

The size of foreign aid including concessional and grant aid was fairly low as well. Further, it was declining in importance over time, despite the crisis due to the hikes in oil prices. The net aid between 1956 and 1968-69 averaged at about 3.2 per cent of the NNP while between 1969-70 and 1971-78 it averaged about I per cent of NNP [from Kelkar, 1980: Table iv]. This certainly is not a classic example of an economy dominated by foreign capital or TNCs.

Second, contrary to popular notions, the outflow due to foreign private investments, i e, remittance of profits, dividends, royalties, technical fees and interest payments, was not too large, being Rs 5,240 million for the years 1964 to 1972 which amounted to merely five per cent of the export earning of that period [Kelkar, 1980: 14]. As a percentage of gross capital formation the outflows would be smaller and as a percentage of GDP these would be insignificant. Another estimate which includes outflows on account of both foreign aid and foreign capital (i e, interest on debt and total remittance by foreign companies) shows that the outflows, excluding amortisation, in 1976-77, as a proportion of exports were about seven per cent and as a proportion of GNP a meagre 0.4 per cent; including amortisation the outflows came to 16.9 per cent of exports and one per cent of the GNP. The total remittance by foreign companies came to only 2.2 per cent of exports. [Basic Statistics, 1981: 15; Handbook of Statistics, 1979: 37]. Pesides, the proportion of outflows due to external debt to total exports have shown a secular decline between 1970-71 and 1979-80. falling by over half [Johnson, 1983: 184]. In fact, the eminent Indian economist, K N Raj, has argued that, given the sharp rise in internal savings since the mid-1970s, the economy should be able to maintain a rate of growth of 4 to 41/4 per cent per annum, and even raise it further without any foreign aid [1979: 16]. A far cry from the situation in several Latin American countries where the debt service burden in recent years (by 1983, 80 per cent of disbursed debt was owed to private creditors) has been about 30 to 50 per cent of export earnings and about six to seven per cent of the GNP, i e, between one-third to half the current rate of capital formation, severely affecting the rate of growth of the economy [Sunkel, 1986].

an increasingly larger number of nations) upto 1974 being a meagre Rs 19,430 million [Martinussen, 1980a: 18]. This amounted to areas of the economy [Patnaik, 1975: 68], it was not allowed to attain control over or the year 1974 and about 20 per cent of the net domestic capital formation of again only that year, at current prices [Basic Statistics, 1981: 15]. In fact, the foreign exchange reserves India has held more or less con-

industries like cement, general engineering and electrical engineering, chemicals and iron and steel was only 2.25, 2.82, 1.27 and 10.03 respectively [Kurien, 1966: 250]. The large mass consumer durables industries like cycles, fans, sewing machines and radios also had a remarkably low foreign capital participation. The same is true of the non-mass consumer durables sector such as scooters, automobiles and refrigerators. In the mass consumption non-durables sector such as textiles, Indian industries have completely dominated since independence. Foreign capital, however, was very important in noncore though highly profitable industries like soap, toothpaste and cosmetics.

The key areas where foreign capital domination continued for a very long time was oil, drugs and pharmaceuticals and rubber goods. Here, too, over time foreign influence was severely curtailed. The spectacular success was in the field-of oil where a prolonged confrontation between the government and the major foreign oil companies ended in "an almost complete elimination of the major foreign oil companies", with the taking over by the government of the assets of these companies in 1976 [Martinussen, 1980b: .75]. In rubber goods and household consumer goods like soap, indigenous private enterprises have emerged as major competitors in recent years, though in the drugs and pharniaceutical industry, despite the setting up of the public sector Indian Drugs and Pharmaceuticals Ltd, foreign domination has been considerable. However, even in the pharmaceutical industry, the market share of total sales that domestic firms held in India in 1975 was 25 per cent, while in countries like Belgium, Canada and Australia the domestic share was only 10, 15, and 15 per cent respectively. Even countries like UK. Italy and Netherlands had a domestic share of only 40 per cent, not too far ahead of India. In 1977, the domestic share in India went upto 30 per cent [Gereffi, 1983: Table 6.6 and 7.2].

Foreign banks have historically played a crucial role in the penetration of foreign capital into the indigenous economy. In India, however, in the financial sphere too, foreign participation has been kept minimal. By 1970, public sector banks controlled 84.7 per cent of the total deposits in scheduled commercial banks while other Indian banks controlled 6.4 per cent, leaving only 8.9 per cent of the total deposits with foreign banks [Mundle, 1974: 12]. Again, between 1969 and 1981 the total branch expansion of all commercial banks in India was 27,445, increasing from 8,262 to 35,707 (significantly about half of this increase was in rural areas), while branches of foreign banks increased by only two, from 130 to 132 [Economic Survey, 1981-82: 114]. The picture was more or less the same in other financial institutions like insurance companies, etc.

Fourth, the issue of foreign collaborations. A few years prior to independence, Indian capitalists wanting to enter new high

technology and capital intensive areas like automobiles, aircraft manufacture, heavy chemicals, ship building, electrical engineering and textile machinery went into a series of collaboration agreements with foreign companies. What is distinctive about these agreements is that while the Indian capitalists were willing to pay out large sums in royalty, or for outright purchase of technology, they refused to allow the foreign company to get a controlling position in the company floated. Foreign equity participation was haggled down to a very low proportion or totally refused and foreign representation on the company board was also kept very low. The major motive for these collaborations was the Indian capitalists' need to acquire capital goods and technology, given the Indian economy's weak industrial and technological base at that time. The collaborations did not reflect compradorism or willingness of Indian capitalists to become junior partners to foreign corporations [see A Muklierjee, 1979: 140ff].

After independence, the preponderant majority of foreign collaborations were 'pure' technical collaborations, i e, with no financial participation by the foreign collaborator. In very limited instances were foreign participants allowed to retain controlling shares. In fact, as the industrial basc of the Indian economy widened with impressive gains in the capital goods sector (more on this below), the effective restrictions on TNCs with interests in India became more and more stringent [Martinussen, 1980a: 14-15]. However, dependence on foreign collaborations for technical knowhow, especially in high-technology areas, has continued. This is today perhaps the key area of Indian dependence on the advanced sector of the world system.

However, it was in the direction of developing an indigenous scientific and technological base that India under Nehru's leadership took major strides. From virtually an insignificant beginning, India has today raised a stock of human capital trained in the field of science and technology which at least in quantitative terms is third in the world, behind only the US and the Soviet Union. The stock of scientific and technical personnel increased in India from 0.19 million to 2.32 million between 1950-1977. The national expenditure on scientific research and development also grew rapidly from Rs 10 million in 1948-49 to Rs 4,500 million in 1976-77, amounting to 0.65 per cent of the GNP of that year [Kelkar, 1980: 17]. Despite this spectacular growth, India continues to lag far behind in the field of science and technology because of a number of factors including the dismal record of the private sector in research and development (most of the R and D effort being state initiated and funded), the reticence, to put it mildly, of the TNCs in transferring up-to-date technology [Bagchi, 1986], an over emphasis on technology at the cost of basic science, a considerable 'braindrain' to the advanced countries, etc.

A brief look at certain other trends in the Indian economy may be in order. India's tremendous advance in agriculture is now common knowledge. From virtual stagnation if not deceleration in agricultural growth in the last half century of colonial rule [Blyn, 1966], Indian agricultural output increased in the 1950s at the annual rate of 3.5 per cent [Patnaik, 1975: 63]. The average annual rate of growth of value added in agriculture between 1960 and 1984 has been about 2.6 per cent at factor cost and constant prices [Raj, 1984]. In Punjab, the supposedly most advanced region in the colonial period, all crop agricultural yield increased at the rate of only 0.36 per cent per year between 1901 and 1941. The contrast since independence is spectacular. Between 1950-51 and 1969-70 the productivity of eleven major crops in Punjab increased at an average rate of 12.5 per cent per yeara spectacular transformation by any standards [M Mukherjee, 1985; 72]. The Punjab pattern has been gradually spreading to other parts of the country. Indian food imports, consequently, have declined dramatically over the last decade, barring edible oils [Economic Survey, 1981-82: 85, 129], and India now has an impressive buffer stock in foodgrains amounting to nearly 30 million tons.

The annual rate of growth of GDP has been about 3.75 per cent from 1952 to 1976 and about 4.25 per cent in the recent past. Value added in manufacture grew at the average annual rate of about 5.2 per cent from 1952 till 1984 [Raj, 1984]. The gross domestic savings and gross domestic capital formation have averaged over 22 per cent since the mid-1970s [Economic Survey, 1981-82: 73] with the rate of gross fixed capital formation being about 18 per cent of GDP in the closing years of the 1970s [Raj, 1984]. These rates of growth do not compare unfavourably with the rates of growth seen in most advanced industrial countries at the time of their 'take off'.

We believe that an assessment of the developments in India since independence cannot be based on indices such as the absolute level and rates of increase of per capita income, national income, per capita consumption of steel, etc. Indices such as these, so popular with the UN agencies, tell us little about the structure or the long term internal dynamie of an economy. Going by one such index, that of per capita income, Kuwait in 1960 ranked higher than the United States though the societies were poles apart in terms of structural strength [see Amin, 1974a].

A superior method of assessment or comparison of economic development especially in the context of domination and dependence is to look at the structure of the overall economy, viz, nature of intersectoral exchanges within the economy, nature of its external linkages in trade, capital movements, technology, etc., potential of generating growth without external dependence, nature of the home market, etc [see Amin, 1974a]. The crucial feature of the Indian economy since independence has been its movement in the direction of structural reorientation—the slow and steady dismantling of a typically disarticulated colonial or peripheral economic structure in an attempt to generate an inward oriented, self-centred development.

Going by the basic criteria used by a wide range of 'dependency theorists' to measure dependence or autonomy, viz, the extent to which an economy is able to have selfcentred capital accumulation or the extent to which capital accumulation in an economy is not dominated by or subject to developments in another economy [see Evans, 1979: 26-27], India's record is quite impressive. In the post Second World War years and immediately after independence, the chief bottleneck for industrial development in India was the non-availability of capital goods, almost all of which had to be imported [A Mukherjee, 1979: 131ff]. Over the years the dependence on the outside world, especially TNCs, for capital goods to maintain a certain rate of capital formation declined rapidly. For example, between 1960-61 and 1973-74 the share of imported equipment in total fixed investment in the form of equipment declined from 43 per cent to only nine per cent, even though the total investment increased by nearly 21/2 times [Kelkar, 1980: 8].31 Table 1 shows the rapid growth of the intermediate and capital goods sector between 1951 and 1979. In other words India's dependence on the external world for capital goods had become relatively small and it was able to make more than 90 per cent of its fixed investments without recourse to imports.

This does suggest a fairly comprehensive spread in India's economic capabilities over time especially in the capital goods sector. This became possible largely because of the planned emphasis on building an indigenous capital goods sector, especially since the Second Plan, and the predominant role played by the public sector in creating the necessary physical, financial and human infrastructure, facilitated considerably by assistance from the socialist bloc [Patnaik, 1975: 60].

Thus, unlike in several countries of Latin America [Gereffi, 1983: 33, Gereffi and Wyman, 1985: 10, Chart 3], in India the attempt to advance import substitution first to the consumer durables industries (e.g., automobiles and consumer electronics) and then the capital goods sector (having already largely achieved the 'easy' import substitution in mass consumer goods industries like textiles) did not lead to increasing dependence on foreign investments and imports. On the contrary, the extension of horizontal ISI and the launching of vertical ISI in India Instead of leading to "internationalisation of the domestic market" through large-scale entry of TNCs [Evans. 1979: 31], as happened in Latin American countries, achieved what it was meant to: an expansion of the indigenous industrial base

and a decline in external dependence.

Going by certain similar criteria identified succinctly by Samir Amin [see 1974b] to show the basic structural differences between the core and the periphery in the world system, India appears to be a backward but independent capitalist country at the edges of the core (i e, structurally closer to the core), rather than a typical dependency of the peripheral type. As suggested by the basic post-independence trends discussed above, Indian development was not internally disarticulated, i e, based primarily on an export sector and a luxury consumption sector both articulated to the centre in terms of markets, import of capital goods and foreign investment. In fact, Indian development was increasingly in the direction of what Amin [1974b] calls a 'central determining relationship' where an indigenous mass consumption goods sector is articulated with an indigenous capital goods sector. Even the luxury goods sector, kept relatively small in the total economy, was basically articulated with the indigenous capital goods sector. Similarly, the colonial situation where both Indian agriculture and industry were articulated with the mctropolis [Alavi, 1975] was now reversed; the two sectors being basically articulated with each other.

It is necessary to clarify here that one is talking of overall structure and trends and not attempting to minimise the continuing Indian dependence on the core for high technology, basic science research and partially on what Marx calls department IA goods, i e, machines to produce machines. But though in the Indian case this dependence is greater, this kind of dependence exists even among backward countries of the core vis-a-vis the advanced core countries, though in broad structural terms they remain within the core. India's dependence is also that of a backward capitalist country on advanced capitalist countries, it is not the dependence of a neo-colony on the metropolis, or of a 'dependency' of periphery on the core.

Some Canadian scholars have argued [see Nelles, 1983: 38] that Canada, despite very high income rates, has a strong tinge of structural dependency similar to that prevailing in some of the smaller European economies and in Brazil, Mexico, Argentina, etc [see also Wallerstein, 1979: 83-84]. Similarly, it can be argued that India, despite very low income rates, lower than several countries of the periphery, demonstrates

significant structural similarities with core countries, especially the backward ones among them.

#### IV

## Role of Political Institutions and Ideology

Apart from the size, strength and nature of the Indian bourgeoisie and the Indian economy at independence, there were certain other important historico-structural factors which go towards explaining the specific developments India has seen since independence.

First, and probably the most important in this respect, was the legacy of the Indian national movement. The founding fathers of the Indian national movement had already by the last quarter of the 19th century developed a comprchensive and sophisticated critique of imperialism and the colonial structure [Chandra, 1966]. They were perhaps among the first in the world to do so. They made the shift in the understanding that modern imperialism was underdeveloping the colonies rather than deepening or creating the conditions for the development of capitalism roughly at the same time as did Marx and worked out a detailed economic critique of colonialism even before Hobson and Lenin [see Chandra, 1980; 1985]. A sophisticated anti-imperialist ideology thus permeated the national movement over a very long historical period and gave it firm roots in anti-colonialism which could not be easily swayed, diluted or compromised, as it was in the case of many other national liberation struggles [see Chandra, 1985; 4]. In the twentieth century, with the rise of the left and its strong influence in the national movement, this commitment to anti-imperialism got further strengthened. The left influence was felt through individual socialists or marxists within the leadership of the Indian National Congress (the basic platform of the anti-imperialist movement in India) like Nehru, or through the Congress Socialist Party which was a strong and growing influence within the Congress in the 1930s and 1940s, or through the Communist Party which flitted in and out of the Congress, as well as through the radical revolutionary terrorists. It would not be wrong to say that the dominant section of the educated youth of the 1930s, and especially the 1940s, those who were to con-

TABLE 1: INDIA: INDICES OF INDUSTRIAL PRODUCTION 1951 1979

Industrial Group		1960 100				
•	1951	1961	1971	1978-79		
General	55	109	153	186		
Textiles	80	103	106	110		
Basic metals	47	119	209	144		
Machinery	22	121	373	208		
Electrical machinery	26	110	405	162		

Source: Government of India, "India: A Reference Annual", New Delhi, 1980: 312, quoted in Johnson [1983: 136].

stitute the first generation intelligentsia after independence, were influenced by left radicalism of one variety or other. The left, despite its poor record since independence, still continues to be a significant ideological current in Indian society today.

Further, the fact that the Indian national movement was perhaps the greatest mass movement (as distinct from a cadre-based revolutionary movement) history has seen in modern times had certain important implications. One of its crucial features was that as a mass movement it took, through itsstruggle and ideological work, the two basic ideas of democracy and anti-imperialism down to very deep layers of Indian society. These ideas spread first among the incollegentsia and then gradually to the middle and lower middle classes and the capitalist class and with the emergence of Gandhi among the peasant masses. 32 The rise of the left helped spread them further among the workers and the peasants.

The deep ingraining of these two ideas among the people of India has had a lot to do with the maintenance, till today, despite extremely adverse conditions, of both political democracy (except a brief two year aberration from 1975-77) and political and economic independence.33 It has prevented any serious threat in India of the formation of a typical third world type of comprador or semi-comprador military-bureaucratic puppet government which would toe the imperialist line in return for a guarantee of the maintenance of its power and of the narrow interests it represents. It has so far successfully stalled the ideological onslaught unleashed by a narrow section (though growing in recent times) which has been arguing for the World Bank-IMF model of 'liberal' policies favoured by international capital.

Political democracy has been seen to be not conducive to capitalist accumulation in the NICs of Latin America and East Asia which all have authoritarian regimes of one variety or another [Evans, 1979: 47-48, Gereffi and Wyman, 1985: 23ff]. In India, however, political democracy (along with the long anti-imperialist ideological tradition) has been greatly responsible for the country remaining on the path of self-reliant, independent capitalist accumulation. It has been a guarantee against the selling out of national economic and political interests by small elite groups or authoritarian regimes. Also, political democracy has given the Indian state far greater political and economic bargaining power vis-a-vis the advanced nations and international capital because it had the full weight of the people behind it. It has also forced a relatively greater sharing (though by no means equitable) of the fruits of economic growth with the less privileged sections of the Indian people. Here, too, the legacy of the pro-poor and egalitarian (though not necessarily socialist) orientation of the national movement has been important [Chandra, 1985].

Second, the balance of class forces in India since independence enabled (as well as

reflected) the nature of the developmental path followed by India. The emergence of a ruling coalition consisting of a 'triple alliance' between international capital, state and local capital is seen as central to dependent capitalist development in Latin America [see Evans, 1979: 31-34, 52]. A similar alliance has been argued for even the East Asian NICs though here the role of international capital in the alliance is relatively minor [Gereffi and Wyman, 1985: 25]. In India, however, a foreign bourgeoisie or international capital did not constitute a part of the state or the ruling class coalition after independence. The bargaining with international capital was not occurring within the state or the ruling class coalition of which international capital was a part, as in Latin America and East Asia, but between an independent state reflecting an entirely indigenous ruling class coalition and international capital—an important difference in terms of autonomy.

The autonomy of the Indian state vis-avis the advanced countries is most clearly seen in its foreign relations. India's foreign policy has been independent to a degree rarely seen in any other third world country and it has consistently supported antiimperialism all over the world. India has also refused to become a puppet in the hands of either of the superpowers and has in fact been a major motive force behind the nonaligned movement comprising about a hundred countries. In recent years, India has tried to spearhead a movement for economic and political co-operation among the third world countries to resist unitedly the domination of the advanced countries.

Indian variants of the 'triple alliance' model, i e, that the Indian state after independence is dominated by the bourgeoisie/big bourgeoisie and landlords34 who are increasingly collaborating with foreign finance capital/imperialism/TNCs, have been argued for a long time and continue to be argued today by the marxist orthodoxy [see, e g, Bagchi, 1982: 93-4; Namboodiripad, 1973; Alavi, 1975: 1260; 1966: 79-80; Kurien, 1975; Dasgupta, 1975: 115-117; Patnaik, 1975: 78]—admittedly increasingly more or less as a token salute to the party line, as the overwhelming evidence has begun to point in another direction. Less doctrinaire studies have increasingly questioned this view in recent times [e g, Raj, 1973; Mundle, 1974: 11, 17; Roy, 1975; Chandra, 1972a, 1972b, 1981].

As we argued in section 1, Indian capital even in the colonial period remained independent of the metropolitan bourgeoisie. After independence, with the backing of the national state, which Indian capital had seen as a crucial factor in its favour against foreign capital [A Mukherjee, 1979: 144], it had even less reason to accept the hegemony of foreign capital. However, over time, given the backing of the national state and the considerable increase in its own strength Indian capital became relatively less xenophobic about foreign capital. Still, as seen in section III, foreign capital was greatly

restricted and was not allowed to acquire a significant hold over the Indian bourgeoisie as a whole, 35 or the Indian economy, and certainly not over Indian politics.

As for the feudal landlords, they were increasingly polltically isolated and marginalised even in the colonial period, being the only class outside the anti-imperialist class coalition. After independence the land reforms, however slow and oriented in favour of the upper sections of the peasantry, broke the political and economic might of this class. Rich peasants and to a small extent Junker type capitalist landlords rather than feudal landlords dominate the rural scene of India today, exercising significant political and economic clout even at the national level.

The working class in India has been unionised on a large scale in the organised sector and has a long valiant tradition of trade union struggles. However, the left as an alternative national political current has been suffering a secular decline over time, even among the working class. Even on the purely trade union question, the left no longer has the bulk of the working class behind it. This is partly because of the economism pervading the Indian left [see M Mukherjee, 1983] and partially because of its inability to correctly characterise the Indian reality—consistently fighting false battles based on a false reading of Indian reality and outdated dogma [see Chandra, 1974, 1981; A Mukherjee, 1981]. Organisation of poor peasants and agricultural labour has remained rudimentary in most parts of the country. Also, the maintenance of a certain minimum amount of indigenous national development has prevented a situation of popular upsurge, whether under left wing or right wing hegemony, which could not be absorbed by the state and the existing institutions. Thus on the whole, the threat from the left or 'popular pressure from below' never acquired serious enough proportions for the creation of the classic situation where the bourgeoisie would go over to imperialism or seek external help for its very survival.

Further, in India the size of an elite which is tied to the advanced capitalist 'centre' in its ideology and consumption styles has not been so large as to become a significant factor in her developmental strategy, as is the case in Latin America [Sunkel, 1986]. Again, partially because of political democracy and the existing hegemonic ideology in the country, sections of society like the large bureaucracy, military personnel, public sector employees, and professionals in universities and technical and scientific institutions have not been able to distance themselves in income, consumption pattern, lifestyle and political influence from the rest of society to the degree they have been able to in many of the developing countries of Latin America and Africa. As a result, the state has been able to severely restrict the import of luxury consumer durables, saving scarce foreign exchange which could be used to import

crucial intermediate and capital goods. Also, the restriction of the process of "internationalisation of consumption" through luxury demands of a large and powerful elite, before indigenous industry could on its own produce these goods, helped prevent the "internationalisation of the domestic market" through large-scale entry of TNCs.

The dominant classes which have emerged in India since independence are the industrial bourgeoisie and the rich peasantry. The ruling bloc consists of these two classes and a broad section of the middle classes. The popular democratic government mediates the interests of the ruling bloc and the less privileged sections of Indian society though it essentially functions with the ideology of a reformist, welfare capitalism; this despite the popular rhetoric since Nehru's times of building a "socialistic pattern of society". Though the bourgeoisie in India as in other third world countries has been unable to exercise exclusive political domination or economic hegemony over the society, the Indian state and civil society has remained largely under bourgeois ideological hegemony despite the existence of contending trends including that of the left. So far the balance of class forces has not tilted in a direction that could pose a serious threat to the pursuing of the path of independent capitalist development.37

Third, the role of the state is central to any analysis of India's development and her position vis-a-vis the world capitalist system. The weight that can be exercised by the state of a country like India, given its subcontinental proportions and huge population, is very different from that of most of the small countries of the third world.

The state's role in India was not confined to planning and the use of the instruments of government policy but it actively intervened in the production process on a massive scale. Almost a decade before independence, the Indian National Congress through the National Planning Committee worked out a comprehensive multi-pronged plan of how India after independence was to telescope developments that normally span an entire historical epoch into a few years. The issue was how to bring about modern industrial development in a backward and still essentially colonial economy, without becoming dependent on foreign capital or imperialism. Planning and the public sector were seen to be crucial for such an effort.

The Indian capitalists too saw the necessity of the public sector and partial nationalisation and were among the first to argue for it. They saw the public sector as particularly necessary for developing basic heavy industries which require large investments and involve a time lag in returns. Also, the state was to be the preferred channel for bringing in the necessary foreign credits, loans, aid, etc, as it would be in a better position than private capitalists to deal with foreign capital without being swamped by it. The choice as the capitalists saw it was between the public sector playing a key role in developing basic

industries, defence industries, public utilities, mobilising financial resources, etc., and dependent growth under foreign domination. They opted for the former.<sup>38</sup>

The course followed by planning and the public sector after independence was basically in line with the strategy worked out before independence. Since the Second Plan the public sector entered heavy industry in a big way. Over time the public sector has created a strong intermediate and capital goods base in the country, having started or played a major role in the fields of steel, heavy engineering, heavy electricals, heavy chemicals, machine tools, agricultural machinery, fertiliser, ship building, aircraft manufacture, railway locomotives and wagons, oil exploration and refineries, coal, electric power, nuclear power, defence industries, etc. It has, through the nationalisation of banks and insurance and the consequent tremendous expansion in these sectors, greatly increased the financial resource base of the country. The state has also, as pointed out earlier, played a crucial role in considerably decreasing India's dependence on advanced countries in the fields of science and technology.

However, the public sector-contrary to what its early left nationalist protagonists (in the 1930s and 1940s) hoped and what certain radical trends argue even today-did not lead to socialism nor did it take the country a step in that direction [A Mukherjee, 1978]. The issue was not simply the establishing of institutions like the public sector. The crucial question was which government in what existing balance of class forces was introducing these institutions. In fact, as several studies now show [e g, Mundle, 1974], the public sector in the specific Indian context ended up strengthening the industrial and rural bourgeoisie. At the same time, in an alternate scenario where the balance of class forces shifts in favour of the left, the public sector has been correctly seen as an institution that could be turned to the advantage

of the forces seeking the transition to socialism.<sup>39</sup> What the public sector has been able to achieve given the nature of Indian society and politics is that it has considerably diversified and expanded the economic base of the country, reducing foreign dependence on creating some of the crucial necessary conditions for a continued struggle against potential foreign domination.<sup>40</sup>

Last, the size of the Indian market has been a crucial factor in enabling India to pursue an inward oriented self-centred path of development. This option is not open to most of the third world countries especially the smaller ones amongst them. India's population of over 700 million is more than double that of all the Latin American countries put together. Also, political democracy and civil rights have prevented the increasing immiserisation of too large a proportion of the population. Besides, even if a fraction of the total population lives considerably above the subsistence level (and in India a substantial proportion does), the aggregate demand for industrial goods would be large enough to sustain a reasonable rate of industrialisation in a protected environment. Also, the tremendous stepping up of public investment since independence has played a major role in expanding the domestic market. A large captive domestic market has made possible the growth of indigenous industry, however inefficient and technologically obsolescent it might be: Tables 1-3 and the statistics elsewhere give an idea of the growth potential in certain areas.

In other words, unlike so many other NICs which face, for various reasons, an internal market constraint [see Wallerstein, 1979: 79], India was not inexorably pushed towards a strategy of export-led growth, which requires competitiveness in the world market and consequently engenders domination by TNCs.

TABLE 2: INDEX OF GROWTH WITH 1950-51 AS BASE = 100 EXCEPT WHERE INDICATED

	1950-51	1960-61	1973-74	1978-79
Industrial production	- 2 24 343	100 (1960 as base)	200.8	150,1 (with 1970 as base = 100)
Joint stock companies:	100	187.6		1225.0
Paid up capital (Base 1954-55)	(1954-55)			
Electricity generated	100	306.1		1675 0
Shipping: gross registered tonnage				
(150 GRT and above)	100	230.4		1439.6
Rado receivers	100	389.9		3591.7
Bank deposits of scheduled and non- scheduled banks (base 1951-52)	100 (1951-52)	204.5		3089.2
Motor vehicles on road (based on taxe vehicles only for 1950-51, thereafter includes vehicles exempted from	ed			
tax)	100	216.9		1206.7
Agricultural production (base trienniu	m			
ending $1969-70 = 100$ )	58.5	86.7		121.1
Per-capita income (at 1970-71 prices)	73.6	88.3		115.0

Source: Basic Statistics [1981: 1-5].

## V

## Concluding Remarks

First, the Indian attempt at independent industrialisation in the twentieth century is not comparable with the transition to capitalism made by the present advanced capitalist countries in an entirely different historical context, nor with the tremendous industrial development seen in the Soviet Union. India is trying to industrialise with political democracy and civil rights including powerful trade union rights. India cannot industrialise on the backs of the working class and/or the peasantry by extracting surplus from these sections for industrial investment to the degree that all the advanced countries of today had done. Nor does it have colonial possessions. The paths of the enclosure movements, forced collectivisation, high tand tax (as in Japan), total suppression of trade union rights, colonial surplus extraction, etc, are not open to India today.

Political democracy and adult franchise have meant for India that it cannot heavily tax agriculture (the preponderant majority of the population still live in rural areas), which contributes about 40 per cent of the GDP [Yarshney, 1984]. Neither has it been politically possible to turn the terms of trade against agriculture or use other instruments of state policy to extract surplus from agriculture for industrial investment. In fact, since independence there has been a net inflow of resources from the non-agricultural sector to the agricultural sector [see Mundle; 1974: 13-16]. Similarly, the working class, especially in the organised sector, is strongly unionised and has won significant economic concessions, often including the pegging of wages to the price index. One example of its growing 1 argaining power is the increase in the index number of man days lost through collective bargaining from 100 in 1961 (base year) to 891.6 in 1980 (Basic Statistics, 1981: 21. Clearly there is a limit to how far the working class can be exploited.

Also, the strength of the TNCs and the economic and technological distance between the advanced countries and the backward countries is far greater today than it was a hundred or even fifty years ago. Consequently, the minimum capital intensity and initial resources required to enter any industry and be competitive is infinitely larger today than what it was when most countries industrialised. The days of the yeoman farmer shifting to industry are essentially over. It is in these new and extremely difficult conditions that India is attempting an independent capitalist development.

Basic to the Indian strategy of development so far has been the emphasis on structure, both political and economic, rather than simply rapid growth. India has so far resisted the trade-off between economic independence and a faster rate of growth. It has also resisted a trade-off between

political democracy and faster growth. Such trade-offs, made by most of the NICs, have some very obvious and serious shortcomings. While it is possible to have a faster rate of growth in the short run with massive inputs of foreign capital and free entry of TNCs, in the long run such a policy negates and original basic objective of independent self-centred development which would ensure continued growth. Similarly, trading political democracy and civil rights for growth not only involves tremendous human welfare costs unacceptable to any civilised society, it also militates against the building and maintenance of an independent political and economic structure, as we have argued above.

Second, a common confusion arises when the flexibility of the Indian developmental strategy is mistaken for a strategy of compromise with imperialism or even as a 'sell out' to it. India has since independence often seen swings41 in its broad economic policy. Within a few years after independence India adopted a policy of protectionism vis-a-vis the outside world, then in the 1960s it liberalised its economy considerably; but this was followed by a reversion to economic nationalism and increase in restrictions in the 1970s; and again in recent years, it has opened up certain selected areas of the economy. In the 1960s the opening up was largely due to the weak position of India caused by the costly wars with China and Pakistan and a series of droughts, all leading to a major balance of payments crisis. The change in economic policy in that period was partially a result of external pressure, particularly of the United States and the World Bank, in return for help. The recent opening up in the 1980s is to be understood in a more complex manner. A rigidly autarchic ISI strategy in the long run tends to produce inefficiencies in the economy, increasing the distance in productivity levels vis-a-vis the advanced countries. A partial opening up would force the economy, especially its monopoly sector, to update itself in the face of world competition. One reason why India has to be competitive in the world market at least in certain areas is that it must maintain a minimum level of exports necessary to finance her requirements of key capital goods and technology which it has not been able to indigenise as yet. 42 Also the Indian state and the Indian bourgeoisle are in a better position today than they were at independence to withstand limited world competition. Collaboration agreements necessary for acquiring advanced technology can now be negotiated, in a carefully controlled manner, without necessarily being swamped by foreign capital. An opening up at an earlier stage could have been disastrous while a controlled opening up today may be necessary if the country is not to be left behind completely in terms of efficiency and technological capability. However, there is no reason to believe, as developments in the last few months confirm, that even this selective liberalisation or opening up is going to be a permanent one. A reversion to restrictionism is likely as soon as threats to the system as a whole, or to important sectors within it, emerge due to the opening up.

Further, one cannot take a static view and argue that a particular policy at all times involves an unequal relationship vis-a-vis the advanced countries. What is crucial is the direction in which the economy is moving. A country may enter into a phase of short term tactical dependence and import foreign capital and technology and it may even pay for it through highly subsidised exports (thus transferring surplus), but it may use this temporarily unequal situation for the strategic objective of strengthening its economy and reducing its long term external dependence. (China in recent years seems to be attempting just such a strategy). The converse can also be true where the nature of contact with the advanced world leads to further dependence in the long run. The crucial question therefore is: which state, with what balance of class forces, ideology and strategic objective, adopts certain policy options. The policy options by themselves only tell us part of the story.

The point one is making is that each swing or change in policy has to be empirically evaluated and critiqued in a specific manner. It cannot automatically be characterised as a basic shift, providing the 'final' proof of the bourgeoisie's or the bourgeois state's inherent tendency to sell out.<sup>43</sup> This kind of repeated crying wolf tends to have predictable diminishing returns especially in terms

TABLE 3: INDUSTRIAL PRODUCTION, 1950-51, 1979-80 AND PLANNED FOR 1984-85

	1950-51	1979-80	1984-85
Man-made fibres (thousand tons)	2.1	168	246
Steel, saleable (million tons)	1.1	6.0	11.5
Bicycles (thousand)	99	3.840	3,700
Machine tools (Rs million)	2.7	1,652	2,500
Sewing machines (thousand)	33	206	431
Centent (million tons)	2.7	17.6	34.5
Rubber tyres, motor (million)	0.6	6.2	9.2
Aluminium (thousand tons)	3.9	192	300
tron ore (inillion ions)	3.6	39	60
Fertiliser, nitrogenous and phosphatic			
(million ions)	0.02	2.99	5.6
Sugar (million tons)	1.1	3.9	7.6
Sulphuric acid (million tons)	0.01	2.2	3.6

Source: Johnson [1983: 136].

of decline in credibility of the left among the intelligentsia and the mass of the people. It thus reduces the ability of the left to intervene decisively if and when such a shift comes. More importantly, it leaves the left totally impotent in terms of working out a strategy for transforming or overthrowing the existing bourgeois structure which might not undergo a basic shift in the direction of neo-colonialism in the concretely relevant or predictable long run. It keeps the 1.eft perpetually chasing the elusive chimera of the final crisis, in this case the sell-out to imperialism.

Third, our analysis above shows that Indian development so far has led to the reversing of most of the elements of a colonial or peripheral structure rather than leading to her getting sucked into a process of further peripheralisation, or being turned into a neo-colony. Further, India has managed to achieve this while remaining within the capitalist system. When we state this we are not at all arguing for the adoption of such a path by other third world countries or the continuance of this path by India.44 The fragility and the dangers involved in this path, of getting reintegrated into an imperial structure, are fully recognised. Also, there is no doubt that this path pushes the cost of development as far as possible on the weaker sections of society. The grinding poverty that continues in India is enough proof of that. We must nevertheless recognise the empirical reality that India, in the specific historical conditions faced by her, has managed to develop independently along this path. This reality is ignored by radical trends which argue that unless countries in the periphery break out of the capitalist system (into socialism) they would necessarily be pushed into a position of further dependence.

An important reason why we emphasise our view of the Indian reality is that from it emerges a set of political implications which are vastly different from the positions traditionally argued by the left. If the Indian state today is an independent state under bourgeois hegemony, i e, it is neither a 'triple alliance' nor a 'bourgeois landlord state increasingly collaborating with imperialism', if the Indian economy today is an independent though backward capitalist one rather than a nco-colonial dependency, then the central contradiction in India today is capitalism and not imperialism, or feudalism and imperialism. What is on the agenda therefore, for those who seek a basic transformation of Indian society, is not the completion of the bourgeois democratic revolution (basically the strategic goal of all the major Communist Parties in India), but the creating of the conditions for a socialist transformation. The present system needs to be overthrown or transformed because it has the inequities and constraints of the bourgeois path of development, and not because it is integrated with imperialism. Undoubtedly, the struggle for a socialist transformation would involve a simultaneous.

struggle against imperialism. As Bipin Chandra, one of the first to systematically question the traditional left paradigm, has argued, the task in India after 1947 is an anti-capitalist socialist revolution of which anti-imperialism is an integral part and not an anti-imperialist, anti-feudal revolution of which anti-capitalism is an integral part [1972: 168; 1983: 387ff]—a formulation which has crucial implications regarding the strategic and tactical class alliances necessary for social transformation.

We do not move closer to socialism by denying or refusing to recognise all actual capitalist development and repeatedly predicting a crisis or a 'sell-out' to imperialism. An alternate strategy to combat the actually existing and growing capitalism has to be devised. Indeed it is a complex and difficult task to move towards a socialist transformation by struggling against strong indigenous classes with a sophisticated array of political, economic and especially ideological weapons ranged in their favour. It may be easier to organise agitation against an easily identifiable foreign exploiter, when one is available. It is also easier to talk in terms of an utopian goal of uniting all socialist forces of the world against world capitalism to form a socialist world government [see Wallerstein, 1979: 35, 91, 101, 118], rather than pursue the real task of building socialist forces against indigenous bourgeois structures (on national planes) wherever that is the chief contradiction, whether in the advanced or backward sectors of the world economy. But then the easier solutions, if they do not reflect reality, are no solutions at all.

Similarly, one is a bit uncomfortable with the tendency in some radical circles to locate future class struggle in the world as between the 'peripheral' and 'advanced' nations or between the 'peripheral proletariat' and the 'metropolitan bourgeoisie'. Organising socialist opposition in the advanced countries has undoubtedly become very difficult but the burden of bringing about a socialist transformation is one burden that the centre cannot so easily transmit to the periphery.

#### Notes

- 1 The first two parts of this paper are based heavily on A Mukherjee (1982).
- 2 Samir Amin would see the emerging classifungle to be between the peripheral proletariat and the metropolitan bourgeoisie. The possibility of a long-term conflict between the colonial bourgeoisie and the metropolitan bourgeoisie is thus ignored, the former being seen as an adjunct of the latter (1974a: 251f, 33ff).
- 3 Marxist orthodoxy assumed that the imperialism of the third stage necessarily meant massive foreign investment in the colonies:
- 4 Statement of Sterling Balances of Reserve Bank of India, Purshottamdas Thakurdas Papers (PT Papers), Fi 381, Nehru Memorial Museum and Library, New Delhi. Purshottamdas Thakurdas was one of the

- major leaders and ideologues of the Indian bourgeoisie in the colonial period.
- 5 In a rather generous estimate for 1947, Shirokov calculated that foreign enterprises owned 8.4 per cent of all enterprises and employed 24.3 per cent of the total labour force in organised industry, and in the bigger enterprises (employing more than 1,000 workers) the corresponding forcign shares were 30.2 per cent and 38.2 per cent. Also, by 1948, foreign companies controlled at best about 25 per tent of the total investments in private industry, leaving a rather large share for Indian investment (1973: 47-48).
- 6 In fact exclusion of the small sector, as well as dependence on sources relating to metropolitan areas where foreign capital dominated, often gives a misleading picture of the overall control and influence of foreign capital (see, e.g., Ray, 1979; 43ff).
- 7 In 1946, total assets of the Indian business houses of Tata, Dalmia-Jain and Birla were Rs 6.000 million while the combined assets of the three largest European Companies, Andrew Yule, Bird Heilgers and Martin Burn (Indo-British), were only Rs 740 million. Similarly, between 1939 and 1948. the paid up capital of Tata and Birla increased from Rs 21 million and Rs 11.5 million to Rs 364 million and Rs 206.1 million respectively. While two other Indian companies had crossed the 100 million mark by 1948, there was only one European company, Bird Heilgers, with Rs 116.7 million, which had managed to do so (Shirokov, 1973: 49; Tomlinson, 1978).
- 8 The early 20th century when the Indian capitalist class was dependent on the Brhish umbrella to protect its foreign markets (e.g., in China) contrasts sharply with the 1930s when the Indian capitalists with their inward orientation and greater control over the home market could reject the Ottawa Trade Agreement and partially the Modilecs Pact and bargain strongly in the Indo-British Trade Agreement of 1937-39, which also they ultimately rejected (see Kannangara, 1968; Chatterjee, 1981; Markovits, 1978).
- 9 The right wing interpretations are bet seen in the works of Dewey (1978) and Drummond (1972) where it is even argued that after World War I it was India which was in many respects exploiting Britain, rather than otherwise. For an interesting variation of the decolonisation thesis, see Tomlinson (1979). The left wing view originated among communists in the 1920s with overtones of it remaining till today (see A Mukherjee, 1981: 28).
- 10 See Matthen (1980) and Bannerji (1963). The apparent paradox of a simultaneous growth of the indigenous capitalist class and an increase in imperialist exploitation is explained by the fact that the brunt of the impact of the latter was borne by the less privileged sections of the Indian people and that part of the growth, of the Indian capitalist class was not by adding new capacity but by the taking over of British firms.
- 11 "...Class defines itself as in fact, it eventuates", E P Thompson (1978). See also

seen in the case of the Indian capitalist class which in the 1920s and 30s, when its position was relatively weak, remained totally opposed to any foreign capital, but in the 1940s, having somewhat consolidated its Nicos Poulantzas (1975: 70-71), for a similar view. We have argued elsewhere that an objective situation of economic weakness of a colonial bourgeoisie may not necessarily produce a class which accepts a dependent status but, on the contrary, may produce a class which makes spirited attempts politically and otherwise to break out of its dependent status and to develop independently. The reverse may also be true where a relatively economically strong class may remain backward ideologically and politically and therefore accept a relatively greater dependent status than would a politically advanced but economically weak class. Further, if only a one to one relationship is seen, where the economic base reflects only its own image (which is in a sense pre-determined) at the politicoideological level, then there would be little possibility of socio-economic change on the basis of political and ideological intervention. This would be crude economic determinism. An example of how a simple link cannot be made between a weak economic position and surrender to imperialism is economic strength and being certain of being able to use the weight of the imminent independent national state against foreign domination, became willing to make concessions to and enter into agreements with foreign capital (see A Mukherjee, 1979: 106, 143-44).

- 12 The speeches in FICC1, press communiques issued by their leaders and pamphlets produced by their, often products of the labours of the Research Committee of the Federation which investigated questions like rural debt, foreign capital, etc, and, later, journals like the Eastern Economist brought out by capitalists are some of the sources where their views can be seen. For an interesting awareness of 'unequal exchange', see G D Birla in FICC1, AR (1934: 173), S P Jain and B M Birla in FICC1, AR (1943: 129; 1946: 104-05).
- 13 For example, since the early 1920s, Purshottamdas put up a major battle against the British policy of currency manipulation and fiscal deflation which had wide repercussions for the Indian economy. In the 1940s, he, G D Birla and others led a significant agitation to obtain for India her hard earned sterling balances with Britain and made energetic attempts to secure India her rightful position in the post-war international monetary negotiations leading to the formation of the IMF. See particularly, FICCI, AR and FICCI, Correspondence, (1944 to 1946).
- 14 See A Mukherjee (1982) for a detailed discussion of the relationship of the Indian capitalist class with the Indian national movement.
- 15 For Communist characterisation in the 1920s, see A Mukerjee (1981). For an example of a recent academic reiteration of the same view, see Sarkar (1976: 120-21, 146).
- 16 First, the limited market in a backward economy (e g, for automobiles) quite often

- necessitated a virtual monopoly of the entire market to enter production profitably. Second, in a backward economy, to enter a new sophisticated area, the business house would have to manufacture the entire range of ancillary products itself and sometimes even provide basic infrastructure like power and roads. The textile machinery industry in India had to produce as many as 17,944 component parts itself, requiring huge financial resources which only a large house like Birlas could raise. See Ray (1979: 194) for this figure.
- 17 One aspect of late capitalism is that developments here do not go through the same stages as the early capitalist economies; certain intermediate stages of capitalist development are skipped. To begin manufacture under conditions of virtual free trade, a late entrant would have to achieve almost the same degree of capital intensity and scale as already achieved elsewhere to be competitive.
- 18 The example of the Dalmia-Jain group is an extreme one though by no means exceptional. By 1946 this group had controlling interests in chemical plants, paper mills, plywood, spare parts factories, railways, electricity, vegetable ghee, soap, research laboratories, number of presses and publications, banks, insurance companies, investment companies, sugar mills, jute mills, cotton mills, flour mills, airlines, cement, coal, foodstuffs and collieries (Gokhale Institute, 1951: 47-50).
- 19 How the 'collective inohopoly' of European (finance, trade, banking, industry, etc) interests prevented indigenous investment in industry is superbly brought out by A K Bagchi in his major work (1972). Perhaps another reason why Indian houses diversified into so many areas was that, since state support in any one area was never assured, they needed to spread their risks.
- 20 We are summarising below the views put forward by a wide cross-section of the Indian capitalist class in what was popularly known as the Bombay Plan (the signatories to which were Purshottamdas Thakurdas, J R D Tata, G D Birla, Ardeshir Dalal, Sri Rain, Kasturbhai Lalbhai, A D Shroff and John Mathai) or in the FICC1. (See Purshottamdas Thakurdas et al, 1945: 36-40, 73-83; FICC1, AR, 1943: p 61, 1945: 7-8, 1947: 8-9). The views of the capitalists in the rest of the para are taken from the above sources except where otherwise indicated.
- 21 The FICC1 president in 1945, J C Setalvad, went to the extent of suggesting that the government should experiment with not only cooperative but even collective farming on the Russian model, for which Soviet experts should be called for consultation (FICC1, AR, 1945: 7-8). However, this was by no means the general view among the capitalists who were very clear in rejecting the Soviet model, opting for co-operative farming.
- 22 The experience of India since 1947 and of various other countries like Germany, Japan England, etc. suggests that this was a feasible model of agrarian reform from above which overthrew feudalism in agriculture.
- 23 One cannot perhaps lump all Indian

- princes, especially the progressive ones among them who were committed to fairly wide-ranging modernisation along capitalist lines, as feudal; they were more like the Meiji oligarchs and Bismarckian Junkers. It is significant that in the inter-war period, a substantial part of industrial investment in India occurred in the princely states (Bagchi, 1972: 210, 214-15).
- 24 Purshottamdas to N M Mazumdar, June 7, 1929 (PT Papers, Fl 42, Pt 11). Also support was not given to the imperialist government to extend its existing powers in the name of suppressing communists as was attempted through the Public Safety Bill (FICCI, AR, 1928).
- 25 G D Birla to Walchand, May 26, 1936 (PT Papers, Fl 177). Similarly Indian Finance of March 11, 1944 warned against the class speaking "with too obvious a concern for its own class interest... condemn(ing) itself in the eyes of the public".
- 26 G D Birla to Walchand, May 26, 1936 (PT Papers, 1936, Fl 177). "The right wing Congressmen are... fighting two forces—the government and the Socialists" (G D Birla, 1953: 193).
- 27 M N Roy, e.g., argued in 1927 that the "over-throw of imperialist domination cannot be a bourgeois revolution" (A Mukherjee, 1981). See also Bagchi (1972: 426-28) for a similar perspective.
- 28 Perry Anderson recognises this and argues that the establishment of a bourgeois democracy in India in 1947 and its more or less successful practice over the last thirty years demonstrates the falsity of Trotsky's notion, declared after 1924, that henceforth there could be no successful bourgeois democratic revolution in any of the colonial countries (1976: 118).
- 29 Marx and Engcls in 1846, referring to the bourgeoisie's struggle against feudalism, made the following comment which is relevant to the colonial situation in India as well: "For each new class which puts itself in the place of one ruling before it, is compelled, merely in order to carry through its aim, to represent its interests as the common interest of all the members of society. that is, expressed in ideal form: it has to give its ideas the form of universality, and represent them as the only rational, universally valid ones. The class making a revolution appears from the very start, if only because it is opposed to a class, not as a class, but as the representative of the whole of society, it appears as the whole mass of society confronting the one ruling class" (1964: 61-62). 30 As Poulantzas also notes, "The national
- 30 As Poulantzas also notes, "The national bourgeoisie is capable of adopting, in certain specific conjunctures of the anti-imperialist and national liberation struggle, class positions which make it part of the people, it can therefore be brought into a certain type of alliance with the popular masses" (1975: 71).
- 31 Another estimate shows that the imported supplies of the following products as a percentage of total available in India declined sharply between 1960-61 and 1977-78; textile machinery from 69 to 11, iron and steel from 36 to 1.1, and aluminium from 58 to 2 (Johnson, 1983: 138).
- 32 Our interviews with hundreds of grassroots

- level participants in the national movement throughout the country has confirmed the view that the people at the lowest level did understand and absorb fairly sophisticated nationalist Ideas (see Chandra, 1985: 3ff).
- 33 Democracy came to India not as a gift or legacy of colonial rule by an advanced democracy, as is often argued, but as a result of nearly three quarters of a century of struggle by the national movement against a rule which initially denied India the most elementary levels of democracy and then conceded a measure of civil liberties and democratic rights under severe pressure.
- 34 The term landlord is often not clearly defined but the implication is clearly feudal landlords or "remnants of feudalism" (Patnaik, 1975: 78).
- 35 The Indian bourgeoisie's relationship with the TNCs does not demonstrate what Wallerstein (1979: 102) calls the "defining structural characteristics" of a non-socialist semi-peripheral country, where the "indigenous bourgeoisie is structurally linked to corporations located in the core countries" to a degree "far larger than is true of the bourgeoisie within any core country". We also find it difficult to agree with Wallerstein's formulation (1979: 105) that the national bourgeoisie is nationalist only in the narrow sense that it is always ready to "brandish the flag" as a "negotiating instrument with the rest of the capitalist world economy" for its "blackmail effect" and puts the "flag in cold storage for a price". This formulation is uncharacteristically instrumentalist, and fails to take account of the fact that the "flag" is crucial to the independent survival of the bourgeoisie. The national bourgeoisie would sell out only if there was a compelling reason to do so, such as a threat to its existence from popular movements. Otherwise it is in the long term class interest of the national bourgeoisie to stick to the "flag" and identify its interests with the nation. The Indian bourgeoisie has as yet not had a reason for committing hara-kiri for a 'price'.
- 36 Charles Bergquist (1986) shows the inverse correlation between indigenous national development and strength of left labour movement in Latin America.
- 37 The growing political strength of the rich peasantry however has had some implications regarding the availability of surplus for industrial investment as we will see later.
- 38 The whole issue of planning and the public sector prior to independence has been discussed in A Mukherjee (1976, 1978).
- 39 A similar argument has been made by 'A Student of Political Economy' (1982) and Paresh Chattopadhyay, quoted in S Habib (1975).
- 40 Samir Amin's contention (1974b: 16) that In the countries of the periphery, the public sector only strengthens or reinforces the peripheral structure is not valid for India. Here the public sector has played a major role in undermining the colonial structure.
- 41 We are using the expression 'swing' as a contrast to 'shift'. 'Swing' connoting a movement back and forth from basically the same position, while a shift involves a basic alteriag of the position.
- 42 This is by no means to be seen as a shift

- to an export-led growth strategy which has very different implications. At best one may call it an 'export dependent' growth strategy (A Student of Political Economy, 1982; 32).
- 43 The most recent example at hand is the IMF loan taken by India in the early 1980s, the largest ever given by the Fund. A wide spectrum of the Indian Left Immediately raised an outcry that India had finally mortgaged her economic and political sovereignty. Today, almost everybody agrees that India has been able to absorb the Ioan and no serious threat to her basic economic and political structure is predicted on this count.
- 44 We would like to clearly demarcate our position from that of the neo-corporatists in Latin America (see Bergquist, 1986).

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Achin Vanaik

The pursuit of 'socialism is one country' remains the principal bedrock of Soviet foreign policy under Gorbachev. Insofar as there has been an evolution since Stalin's time, it has been in the direction of even greater conservatism so that the distance between Soviet policy today and the classical internationalist perspective of Lenin's time is greater than ever.

THE basic schism in the perception and making of Soviet foreign policy emerges not in the leadership transition from Brezhnev to Gorbachev but In the transition from Lenin to Stalin. Thereafter there has, of course, been change and evolution in the foreign policy framework of the USSR but within an overarching continuity of approach which can be simply and essentially summed up as the pursuit of 'socialism in one country', or in the language which enjoys greater academic currency today—the pursuit of 'national security' as defined by the USSR's ruling elite. Insofar as the first term more clearly links domestic with external concerns it is a preferred and more accurate formulation.

The classical Marxists saw the consolidation of Soviet power as just one component (however important) in an international process of class struggle and revolution which had, of course, its own rhythms, its own periods of ebb and flow. If in periods of ebb, the 'partial dialectic' of socialist internationalism necessarily meant greater emphasis on the consolidation of the post-capitalist or post-revolutionary bastions that already existed, in periods of revolutionary upsurge elsewhere, the central locus of revolutionary struggle was necessarily located there towards which narrowly 'nationalist' interests should be subordinated.

For Lenin then Soviet coexistence with capitalist states was a temporary tactic forced upon him by the end of the revolutionary upturn in the 1917-21 period and the temporary stabilisation of the capitalist world subsequently. Till the next upturn (and towards the end of his life Lenin turned his gaze and hopes eastwards particularly to China and the anti-colonial struggle) the Soviet Union had to concentrate on building socialism within, consolidating its power and diplomatically manoeuvring as best as it could between the capitalist states since intercapitalist competition and rivalry remained a basic contradiction of global politics. The Treaty of Rapallo symbolised and exemplified this tactical turn.

It was Stalin who jettisoned this classical perspective on the relationship between the building of socialism in the USSR and the international revolutionary process in favour of socialism in one country. This meant not only that full socialism could be completed in one country but that international progress towards socialism became virtually congruent with the consolidation of the power and authority of the socialist fortress—the Soviet Union. This then served as the theoretical justification for subordinating wherever possible, the prospects for

socialist or revolutionary advance elsewhere, to the political, diplomatic, economic and other needs of the USSR as determined by its leadership. During Stalin's time the defence of the USSR became the primary responsibility always and everywhere for all socialists whether inside or outside the USSR.

The Comintern which in Lenin's time was perceived as a genuine international combat organisation/party (in which the Bolshevik party undoubtedly had great moral and material weight) with the responsibility of coordinating the forces of socialist intervention in keeping with the fluctuating and geographically shifting pattern of international class struggle and revolution, became in Stalin's time a straightforward tool whose primary purpose was to ensure that the other communist parties outside the USSR acted at the behest of the Kremlin.

The pursuit of 'socialism in one country' remains the principal bedrock of Soviet foreign policy. Insofar as there has been an evolution since Stalin's time, it has been in the direction of even greater conservatism so that the distance between Soviet policy today and the classical internationalisi perspective of Lenin's time is greater than ever.

## PEACEFUL COEXISTENCE AND PEACEFUL COMPETITION

Peaceful coexistence with capitalist states has moved from being a tactic to becoming a strategy to becoming a goal in itself. Any doubts on this score can be removed by the most scrupulous perusal of the 1977 Soviet Constitution and the speech of Gorbachev delivered on the occasion of the 70th anniversary of the October Revolution. In the constitutional principles that are supposed to guide Soviet foreign policy even the aim of building a socialist world has disappeared altogether. In Gorbachev's speech even a rhetorical genuflection in this direction has been avoided and replaced by contemplation on the need to build a new international order in which enduring peace will reign despite the coexistence of fundamentally different social systems. (See quotes E, F, G and H in the appendix.)

For Lenin, such permanent peace was not conceivable outside the framework of a socialist world. Under Gorbachev such an enduring peace (without world socialism) has not only become feasible and possible but the principal aim of Soviet foreign policy. It is important to note that what Gorbachev is stressing is not merely the necessity of the two blocs to avoid war because of the

existence of nuclear weapons which did not, of course, exist in Lenin's time. The determination to avoid a direct war between the US and USSR is obviously a proposition which deserves the fullest support. What Gorbachev has done is to displace the revolutionary struggle for world socialism of the agenda altogether! Or to be more precise the epic global struggle between capitalism and socialism is no longer decisively a flesh and blood struggle involving violent class struggle, physical defeats and victories, territorial gains and losses, but has become an ideological struggle, a battle of ideas, a 'peaceful competition' in which the example of how an actually existing and functioning 'socialist system' is faring, will be the decisive factor in spreading socialism to encompass the world. Even this desire to spread socialism through this peaceful ideological victory is at best an implicit and not an explicitly expressed sentiment (see quote E in the appendix).

An enduring 'peaceful coexistence' necessarily implies an enduring 'peaceful competition'. Such a vision assumes logical plausibility only if it makes the existing 'socialist states' and the USSR in particular the permanent fulcrum of the whole epoch of global transition to socialism. As such, it is a perfectly logical outcome of adherence to the thesis of 'socialism in one country'.

Whereas 'peace and socialism' were indissolubly connected by classical Marxism, they have been progressively separated by Lenin's successors, particularly in the post-War era. To recognise that there is both an honourable and emotional dimension to the Soviet yearning for peace (its great suffering during World War II) does not alter the fact that it constitutes an enormous and tragic revision of the classical perspective—tragle in its counter-revolutionary implications.

The theoretical rationalisation for 'peaceful coexistence as an enduring epochal perspective was first provided by Krushchev at the famous 20th party congress in which he declared that "peaceful coexistence is the contemporary form of class struggle", a perspective which has been faithfully echoed by all his successors down to Gorbachev. despite all fluctuations in the Soviet-US relationship. Kurshchev was the first to argue that the coming of the nuclear age meant a necessary 'modification' of Lenin's thesis that war between capitalism and communism was inevitable in favour of the thesis of the permanency of 'peaceful coexistence' . and 'peaceful competition'.

A quite unjustifiable reductionism is at work here. The fate of the conflict between

capitalism and communism becomes directly, primarily and inescapably tied to the US-USSR and east-west relationship. Instead of the advent of nuclear weapons posing even more sharply the question of 'socialism or barbarism' (permanent nuclear peace, i e, the elimination forever of nuclear weapons can only be ensured by the elimination of capitalism) the crucial alternative now becomes 'peace or barbarism' where barbarism is identified not so much with capitalism as with nuclear war. In contrast to Gorbachev are the words of Raymond Williams, British socialist and veteran campaigner against nuclear war: "To overcome militarism, we have to fight against much more than militarism; to achieve peace we have to fight for much more than peace"

If Gorbachev can believe that capitalism's instinct for self-preservation can lead it to accept and possibly work for a world free of nuclear weapons, it is hardly surprising that he should be able to credit capitalism in its imperialist phase with the potential to do even more, e g, accept a "balance of interests on an equal basis" between rival social systems, accept "an all embracing system of international security", even be part of "a joint quest for a new economic order".

#### **CORRELATION OF WORLD FORCES**

Soviet foreign policy like that of its major capitalist rival is fundamentally self-centred. But unlike the US it is not so to the same extent. The fact that its essential methodological tramework is Marxism-Leninism, even if of a highly formalistic and vulgar kind, means it recognises a global reality which is more complex and multifaceted than bourgeois International Relations theory or their more bastardised versions would allow for. Thus Moscow perceives a larger 'correlation of world forces' of which the US-USSR relationship is one axis.

This does not prevent the Kremlin from being obsessed with the US-USSR relationship or making it the focal point of international politics. This view has a lineage stretching back to the post-War Stalin. But it does allow for a flexibility of perception In that the USSR has a much more sober awareness of its own power and global limitations than the Americans who all too often slide into the belief that the USSR is a deux ex machina whose hand is to be found in every major or revolutionary struggle anywhere in the world. What is more the USSR also tends to have a more sober and realistic understanding of the limits of American power. This allows it to have the conceptual space in which to explore the possibilities of other foreign policy initiatives which do not have to be completely filtered through the prism of the US-USSR relationship. Indeed, Gorbachev has distinguished himself from Brezhnev and Krushchev in showing just such flexibility not only in respect of his overtures towards China but towards western Europe and Japan.

But for him, as for his post-War predecessors the US-USSR relationship remains central. In this respect there has been a consistent search by the USSR under its different post-War leaders for a 'great power relationship' between itself and the US, a

condominium based on 'mutual equality' and acknowledgement of a 'balance of mutual interests'. This Soviet theme of the need for 'mutual equality and respect' between the two is a recurring one, indeed a liet-motif of its foreign policy pronouncements. This is both inevitable and understandable when the primary purpose of Soviet foreign policy is to have 'national security', or more accurately, to pursue and preserve 'socialism in one country'. The US, after all, is the single biggest threat to this 'national security' and to the ruling elite's efforts to move towards communism now that socialism has already been achieved within USSR!

How is this relatively single-minded and dominant (but not exclusive) pursuit of an improvement (indeed, a near permanent detente) in the Soviet-US relationship to be squared with the recognition (embodied in the concept of a 'world correlation of forces') that so many international sources of tension lie outside the control of either power. Ideologically, the problem is resolved by assigning primary weight to the USSR itself, so that the consolidation of Soviet power and authority becomes if not the sufficient, certainly the necessary, condition for creating a 'correlation of world forces' favourable to 'international socialism'.

The second step is even simpler. History is taken to be on the Soviet Union's and socialism's side. Evidence and confidence for the correctness of this belief comes from the fact of the emergence of new 'socialist' regimes, from the successes of national liberation struggles, from the recognition that there are numerous other collective groupings which are outside the direct control of the US and the west. The 'forces of history' left to themselves will thus tilt progressively towards progress and the Soviet Union.

Such a world view justifies the strong Soviet preoccupation with its relationship with the US; the Soviet belief that peaceful coexistence as an end in itself is perfectly compatible with the *ultimate* victory of socialism on the world scale; and the essentially self-centred, cautious and pragmatic Soviet attitude and practice vis-a-vis 'revolutionary' upsurges elsewhere, e.g., in the 'third world'.

Indeed, Gorbachev's pragmatism vis-a-vis the 'third world' has probably gone further than even Brezhnev's. Recognising that the era of national liberation struggles (with a few exceptions) is largely over, Gorbachev has no hesitation in assigning a positive status to a whole series of collective groupings in the 'third world' seeing in them potentialities that are 'colossal' for creating a more just and equitable 'international order' (see quote T in the Appendix). In the process of doing so he is prepared to abstract from their ethnic, racial, religious, capitalist and historical character. ASEAN, for example, was a political grouping expressly created to stem the polltical impact of the Indochinese revolution and the Vietnamese victory over America in that part of the world.

## TACTICAL FLEXIBILITY OR STRATEGIC REORIENTATION?

With two important exceptions—nuclear weapons disarmament and Afghanistan—

the difference in Gorbachev's foreign policy orientations and initiatives and those of Brezhnev are essentially tactical. But even. these 'strategic orientations' operate within the overall framework of objectives and goals which are unchanged. Thus, whereas Brezhnev was equally committed to improving the Sino-Sovlet relationship and to detente with the US, and Andropov to a rapid political resolution of the 'Afghan Question', Gorbachev has had more time than the latter; and has shown more flexibility and imagination than the former; in pursuing these goals. For someone with no previous experience, his self-confidence and sure-footedness has been remarkable. He began by appointing the former foreign minister, Andrie Gromyko to the presidency and followed this by installing his own men in the foreign policy establishment. He then took initiatives in all directions at an almost breathless pace. Instead of just focusing on detente with the US he has sought to pursue detente with the west. Far from wanting sustained tensions between western Europe and the US in the expectation that this will give a long-term advantage to the USSR, he is committed to common security vis-a-vis the US and an easing of tensions all around. Given a chance he would seek to improve Sovict relations with Pakistan and his speeches during the Delhi visit were noticeable for their absence of the ritual denunciations of the US-Pakistan axis or of China, which were a feature of Brezhnev's speeches during his 1981 Indian visit. In Afghanistan, Gorbachev is making every effort to pull back Soviet troops. But he is also willing to promote a coalition regime in which the leaders of the opposition feudaltribal groups or even the former king. Zabir Shah can play a role. This is the clearest possible acknowledgement that no matter what the Afghan government, Afghanistan can no more be a 'security threat' to the USSR than a Sandinista Nicaragua can be to the US. But while a withdrawal of Soviet troops is to the interests of the Afghans, it is not better for them to dilute PDPA power by the involvement of such historically reactionary forces as the feudalists and the monarchy? Unfortunately it is the 'national security' and detente concerns of Moscow that take primacy for Gorbachev rather than the interests of the Afghan people themselves. His latest decision to unilaterally withdraw Soviet troops must be unclaimed. But any attempt to set up a coalition government involving the rebels would be a betrayal of the Saur Revolution itself.

It is in the field of nuclear disarmament where Gorbachev has made the most dramatic and worthwhile contribution. Thisissue of nuclear weapons is of course absolutely central to the bilateral US-USSR relationship. Gorbachev knows there can be no question of restoring detente with the US unless progress is made in this area. He has had the wisdom and courage to make a significant break with the nuclear strategic thinking of his predecessors and to reject the 'bean counting' approach. He has come around to accepting what so many peace activists who refused to give allegiance to either the US or the USSR have been saying for so long-that even according to the misbegotten logic of nuclear deterrence it is not the concept of 'parity' that Is valid, as the concept of 'sufficiency'. Gorbachev has shifted the focus of Soviet thinking on the question of nuclear disarmament away from the idea of maintaining 'parity' to maintaining 'reasonable sufficiency', not yet 'minimum sufficiency'. This has enabled him to take a much more political rather than military approach to the question of a 'nuclear balance' and therefore accept the kind of asymmetric cuts in nuclear arms as embodied in the latest accord on INF missiles. This important and welcome accord must be credited primarily if not solely to him. Gorbachev literally forced disarmament on his US rival. A momentum of mutual nuclear disarmament, however weak still, has now been generated between the US and USSR. One can only hope that it will lead to further cuts in the arsenals of the two powers.

But it is also necessary to recognise that the only consistent and honourable position to take vis-a-vis genuine nuclear disarmament proposals is 'yes, but more'. It is also necessary to recognise that neither the USSR nor the US is serious when they say they want total nuclear disarmament. This should be obvious enough in the case of the US. It is also true in the case of the USSR. The Soviet economy impresses few people. Its official ideology is not taken seriously by members of its own elite let alone the Soviet masses. Its political system despite glasnost (which must for various reasons remain partial and limited) continues to be contrasted unfavourably with the bourgeois democracies. Its authority and status as one of the globe's two premier powers (and this status is a much cherished one) rests primarily on its military, particularly, nuclear status.

Gorbachev may believe that in time the social, economic and political example of the USSR may be so self-evidently superior as to ensure the Soviet system victory in the global rivalry for ideological and political allegiance, but that time is not going to arrive for a long time to come even for those who believe the 'Gorbachev way' points the route. There is no way the USSR will give up the possession of the one thing that seems to assure its status as one of the world's two 'great powers'.

## PERESTROIKA AND DETENTE

Contrary to what many western Sovietologists assert, Gorbachev's pursuit of partial disarmament and detente is not primarily motivated by the need to reduce the burden on the Soviet economy. To believe this is to underestimate the strength of the Soviet social system and Gorbachev's own determination to maintain a rough military balance vis-a-vis the US even if the economic 'burden' has to rise. More seriously, such a view fails to understand how far-reaching the Gorbachev vision behind perestroika is. Gorbachev wants detente not because circumstances demand a 'temporary truce' with the west before resuming the active promotion of international class struggle and the fight against capitalism. Nor is he simply after a prolonged "breathing space' during which the Soviet economy can progress and restructure itself under less pressure from the outside. Detente is not seen in such limited or 'negative' a light.

Perestroika and detente are connected in a much more 'radical' sense. In Gorbachev's vision the transformation of the Soviet economy requires a much greater degree of co-operation and active economic and political support from the west (preferably with, but if necessary without a substantial American input) than any modern Soviet leader has dared to contemplate. This is the only interpretation that is consistent with Gorbachev's words and deeds and with the reports of his meetings with various western leaders. His message has been conciliatory, 'dignified' and persistent, eschewing both excessive defensiveness as well as Soviet selfglorification-an invitation to the west to cooperate with the USSR in dismantling the 'cold war' for good and to enter a 'new era' of radically different and co-operative relations between the USSR and the west.

If this is different from the foreign policy of Brezhnev it is so in the sense that it is an attempt to significantly accelerate along a trajectory set earlier. What Gorbachev has to say in his speech on the 70th anniversary of October must be taken at face value, as a 'sincere' representation of Gorbachev's foreign policy aims and objectives. It is the vision not of an impassioned international revolutionary imbued with a deep anger and abiding hatred for capitalism, and possessed of a fierce desire to eradicate it. It is rather the vision of a pragmatic Soviet 'patriot' determined above all else to improve the quality of life of the Soviet people. It is the vision of one who believes in the reformability of the Soviet system, who believes his goals can be achieved through the establishment of enduring peace with captialism abroad, with all the benefits thereof: and through 'radical' reform at home, reforms which will nevertheless leave unchanged the basic structure of one-party rule (the leading role of the CPSU), retain a relatively privileged, if expanded, ruling elite as the directional and regulating force in society, and sustain a still substantial degree of centralised 'planning'.

Regardless of the intentions behind Gorbachev's policies—and these can hardly be characterised as revolutionary—what are its likely objective effects? This is most evident in the case of Europe. If Gorbachev can sustain the momentum of glasnost and perestroika (and this is not assured) then there is little doubt that the glacis that has 'frozen' Europe into two blocs, east and west, will begin to crack and fissure more deeply than ever at the point where it is already the weakest—at the level of culture and ideology, rather than economy and politics. Already the fragility of the American inspired cold war myths about the Soviet Union have been exposed in Europe both by Gorbachev's systematic 'peace offensive' abroad and a degree of glasnost and perestroika at home.

It is this pan-European cultural affinity and its distinctiveness from both Asia and north America that is likely to be most strongly asserted. That this might be a prelude to a coming together on the economic and political level is an altogether more dubious proposition given the fundamental systemic differences between the two blocs. But pressures for the dismantling of NATO and for a more non-aligned western Europe (and perhaps eastern Europe) will grow. This can only be a welcome development though Gorbachev can hardly be expected to welcome the growing political independence of that part of eastern Europe still under Soviet domination and considered vital to the military security of the USSR.

Are Gorbachev's foreign-policy perspectives realistic? Can they succeed, assuming that he is able to remain in power and consolidate himself internally? No satisfactory assessment can be given without first establishing a more accurate framework of comprehension of global politics than can be provided by donning either American or Soviet spectacles.

### AN ALTERNATIVE FRAMEWORK

Classical Marxism perceived global politics as a web of various interacting relationships from class struggle to social and national liberation struggles, inter-capitalist conflicts, nation-state rivalries, antiimperialist, anti-dictatorial, anti capitalist and democratic movements and so on. The 'central axis' of this 'international class struggle' refracted and mediated through various levels and kinds of conflict was neither temporally nor geographically fixed but shifted through space and time. The emergence of the Soviet Union and the 'socialist bloc' did not fundamentally alter this framework but did place the question of global socialist transition firmly on the agenda. Henceforth 'international class struggle' had entered its final phase--the actuality of revolution and the irreconcilability of socialism and imperialism/capitalism.

At another level the US-USSR relationship took its place as an important nexus. But the 'Great Contest' was not always or even most of the time the crucial plvot around which global politics revolved or revolves. Thus, to periodise post-War world history in terms of the 'era of detente' or 'Cold War I' and 'Cold War II' is extremely misleading. This is at best an adequate characterisation of the fluctuations in the US-USSR relationship, itself embedded within a larger 'composition' of global events struggles and conflictual relationships.

The historical trend in this bi-polar Soviet-US relationship is clearly one which has favoured the former. From a position of very dramatic if not absolute inferiority it has reached a position of relative inferiority and even this evaluation has to be occasionally qualified. Militarily, there is in quantitative/qualitative terms a near parity. At the same time, the US maintains a truly global deployment of military hardware and troops/forces to which the USSR has no comparable equivalent, Economically, (and here the crucial measure is labour productivity) the gap is much less than it was decades ago. But of late, the productivity gap between the two is widening in America's and certainly the west's favour. But the most important factor in this bi-polarity is the 'political' relationship of forces. This is

## IEL LIMITED

(Regd. Office: 34, Chowringhee Road, Calcutta-700 071)

## NOTICE

It is hereby notified for the information of the public that M/s IEL LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:

1 Name and address of the applicant

IEL Limited, 34, Chowringhee Road, Calcutta-700 071

2 Capital structure of the applicant organisation

wholetime Directors and Manager, if any

. Equity (Rs '000)

Authorised capital

As on 30.9.87

1.69.00

Subscribed capital & Pald-up capital

40.87.06

3' Management structure of the applicant organisation: indicating the names of the Directors, including Managing/

The company is managed by a Board of Directors with a Managing Director and a Wholetime Director.

)	Name Mr J Sengupta	Designation Chairman	e)	Name Mr K D Elmy		Designation Director
o) :)	Mr P E G Daubeney Mr V K Bahree	Managing Director Wholetime Director		Mr S K Srivastava Mr A M M Arunachala	ım	Director Director
) (k	Mr A V Gokak	Director		Mr A Hydari	,,,,	Director
			i)	Dr K U Mada		Director
4	Indicate whether the prop ment of a new undertaking		Ne	w Unit		
5	Location of the new under	takıng/unit/division	(1)	Ennore Express High Ernavoor, Ennore P.O Taluka Saidapet, District Chengalpattu Madras-600 057, Tam	.,	
	·	·	(2)	Thane-Belapur Road, Thane-400 601, Maharashtra.		
6	Capital structure of the pro	oposed undertaking :	***			
7		o the production, storage, supply, control of any goods/articles,				
	(i) Names of goods/articles	·		lyurethane resins and ended polyols	systems inclu	ding base and
	(ii) Proposed licensed capa (iii) Estimated turnover (at t			00 tpa 40 crores per annum		
8		to the provision of any service,: in terms of usual measures such etc.	No	at applicable		
9	Cost of project	:	Rs	19.5 crores		
10	Scheme of finance, indicat raised from each source	ing the amounts to be :	Ot	reign exchange loan her loans tained earnings	Rs 3.0 crores Rs 6.5 " Rs 10.0 "	<u>.</u>
			To	tal	Rs 19.5 crores	5

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

for IEL LIMITED
Sd/P E G DAUBENEY
MANAGING DIRECTOR

Dated this 23rd day of February 1988.

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always the most difficult to evaluate because it is the most volatile factor subject to developments very often outside the control of either power. Thus, for example, the deblitating impact of American involvement in Vietnam helped to create in the early seventies a bi-polar political relationship of forces much more favourable than in the past to the USSR.

On the whole though, the USSR is the weaker 'pole' and it therefore, has to have a foreign policy which is essentially cast in a 'defensive' mould. This does not, of course, rule out aggressive behaviour, e g, invasion of Afghanistan, but such aggression is motivated more by the defensive preoccupations of strengthening 'national security' perceived to be under threat than by more obviously 'imperialist'expansionist objectives. Given the disparity in strength between the two 'poles' and the efforts by one to sustain if not lengthen the gap, and the efforts of the other to close it, there has obviously been a fluctuating relationship between the US and USSR in which there have been both periods of relatively greater tension as well as relatively greater thaw.

## HISTORIC TREND-POLITICAL DECLINE OF

But the central 'paradox' (it is not really one) is that while the US and the USSR have both become militarily stronger relative to the rest of the world, they have also both become politically weaker! Their capacity to impose their will or to effectively and progressively influence other nations and peoples has become less not more! This would be inexplicable if one were to adopt either the Soviet or American world view, both of which give excessive weight to this bi-polar relationship, thereby demanding from others an alignment on one side or the other, a support for cold war or detente as if this was the central issue of global politics.

The pressures for 'great power' accommodation and for some kind of detente have progressively grown. What is sometimes called Cold War II is not going to last. Cold War I was a fundamentally different phenomenon rooted in a much more unequal relationship of overall forces between the US and USSR and obtaining at a time when the US's political pre-eminence in the larger global arena was much more pronounced. The period (roughly 1970-79) often called detente was (from the American side) a response to a much more clearly perceived weakening of the US vis-a-vis the USSR and the rest of the world. There were a number of factors responsible for this perceptionfrom the relative economic decline of the US with respect to other advanced capitalist countries to Soviet nuclear parity to the debilitating political impact of Vietnam. Indeed, detente was perceived by the US as a way to halt, if not reverse, its political decline. Detente did not last because it could not halt continuing American decline, leading first Carter and then Reagan to pursue other more aggressive methods of reversing this historic trend—what has been called Cold War II. This in turn will be followed by relative thaw, the first signs of which are already beginning to emerge.

Detente then is essentially the politics of weakness. This is obvious enough when looking at the US relationship to detente. But it is no less true when looking at the USSR. If a global Pax Americana is an impossibility so too is a Pax Sovietica or even a half-hearted approximation to them. It is irrelevant that the USSR (or the US) would deny having any such ambition. They couldn't achieve even if they wanted to. The USSR has difficulty sustaining its present 'sphere of influence' let alone extending it. Whether it is eastern Europe, China, the middle east after 1972 (when Sadat broke with Moscow), Africa or Latin America, or western Europe where the Communist Parties have either declined or moved progressively away from Moscow or both, the picture is more one of failures than successes. Even 'successes' llke Ethiopia, Angola or Afghanistan have proved burdensome as well as uncertain 'gains'. The lessons have not been lost on Moscow. The USSR has turned inwards, invested more hopes in the east-west relationship and become altogether more pragmatic and cautious visa-vis the 'third world'. The Soviet search for 'peaceful coexistence', for some torm of detente with the west and the US has remaincd consistent, indeed deepened. Only the relative weights of the internal and external factors pressing for such a denouement have altered.

Can detente of some kind be enduring even if it does not amount to the kind of relationship that Gorbachev wants? Compulsions from both sides for accommodation are strong and ever present. But there are systemic reasons why the bi-polar relationship must necessarily be a fluctuating one. Whatever Gorbachev or the Soviet leaders may think, capitalism cannot peacefully coexist with the post-capitalist societies. This need not mean a direct war with them (one is here referring to the USSR, China and eastern Europe, not Indochina, North Korea, Cuba or Nicaragua), but it does mean periodic tension, occasions when the dangers of even nuclear war increase even if this be only the result of 'crisis mismanagement', or what can be called the Sarajevo Factor.

## NO LASTING DETENTE

Confining capitalism to one country is as absurd a proposition as completing the construction of socialism, let alone communism, in one country. Both are world systems. Capitalism must continuously seek to reproduce itself on a global scale, expanding and strengthening itself where weakly implanted, attempting to roll back the 'losscs' of an earlier history, curbing challenges where they arise. Even a Soviet Union deeply committed to epochal 'peaceful coexistence' and 'peaceful competition' represents only one side of the bargain. For capitalism, at least, detente remains a 'temporary truce'. Which is why Gorbachev's foreign policy is from a revolutionary perspective so criminally dangerous since it feeds illusions about the nature of capitalism and can be used to justify Soviet sacrifice of revolutionary and anti-capitalist forces and struggles elsewhere.

Furthermore, detente for capitalism

means the USSR living up to a 'promise' that it cannot, even if it wanted to-namely (at a minimum) to preserve the status quo in the 'third world'. The contradictions in this part of the world are so sharp and volatile that periodic mass upsurges with a revolutionary dynamic cannot be prevented. From the Soviet point of view, however, detente is quite compatible with its sectoral foreign policy aims, except for one vulnerable spot. Unlike capitalism, the Soviet economic system has no compulsion to expand As for its sectoral perspectives, with regard to western Europe, the USSR under Gorbachev does not expect and will not work for a 'peaceful transition to socialism' via governmental power for western communist parties. This is not its operational perspective. What it will work for and be more than happy to get is an increasingly non-aligned though capitalist western Europe.

With respect to China, it is once again 'peaceful coexistence' not 'socialist internationalism' that is seen as the guiding principle and bedrock of a stable Sino-Soviet relationship. To this end Gorbachev is willing to pursue a number of tactical initiatives and accommodations, eg, the formal acceptance of the Chinese principles of maritime border demarcation over the Ussuri river conflict. No doubt he will also push for a Sino-Soviet summit. Soviet overtures to China can be seen as fitting quite neatly into the geo-political framework of 'triangular power play' (indeed 'quadrangular power play' as the Japan factor became more important) and 'balance of power' approaches so beloved by bourgeois strategists.

In most of the 'third world' the USSR will settle for a 'strategy of denial', i e, trying to deny the US military deployments and alliances which it desires as part of its geopolitical strategy for containing the USSR. In pursuit of this objective a combination of diplomatic, military, economic overtures will be made to 'third world' ruling elites. That these 'third world' regimes may be feudal or capitalist and deeply exploitative and oppressive of their own populations is an utterly peripheral concern for Moscow. In Latin America, the Soviet commitment to preserving the status quo is particularly strong. In Asia and Africa, the USSR has frequently helped guerrilla movements, rarely so in Latin America, in part because Moscow does not wish to provoke the US in its 'backyard' and 'sphere of influence' which plays little or no part in the geopolitical strategy of containing the USSR. Pro-Moscow Communist Parties in Latin America have a particularly poor record with respect to opposing ruling dictatorships in comparison with other left groups many of which have fought and are fighting heroic revolutionary struggles against these dictatorships.

The Soviet weak spot, however, is eastern Europe. Here again, it is Soviet security that is the key consideration. Gorbachev would not be opposed to east European versions of glasnost and perestroika. Indeed, to the discomfort of the conservative sections of the ruling bureaucracy in these countries he would encourage such developments. In this he is unlike his predecessors, and this can only be a positive and welcome development.

.55I

with respect to the fact that greater pressures for political democratisation will be unleashed. But like his predecessors, Gorbachev will be opposed to any demands following in the wake of detente or glasnost-perestroika for withdrawal from the Warsaw Pact or which challenge the primacy, i c, 'leading role' of the ruling Communist Parties.

In the final analysis, Gorbachev's vision, precisely because it marks such a drastic departure from the classical and revolutionary Marxist vision dooms itself since it is both an inadequate world view and a deeply flawed guide to practice. The narrow, self-centredness of Soviet foreign policy is nowhere more vivid than in Gorbachev's final dismissal of the very need of an international (see quote K in the apendix).

### NECESSITY OF A LENINIST INTERNATIONAL

From Stalin's Comintern to the absence of any international at all is very much a logical progression. If 'socialism in one country' in the pre-War Stalinist era demanded a manipulable tool with which the then CPSU could control external Communist Parties, the emergence of a number of independent 'national communism' after 1945, most notably China and Yugoslavia (also North Korca and North Vietnam) was the effective death knell for any attempt to revive the pre-War framework of Stalinist international tutelage. Insofar as Gorbachev's rejection of an international is an affirmation of the equality and independence of all 'socialist' nations and of the national Communist Parties it is clearly positive. But this equality and independence in no way contradicts or can be couterposed to the necessity of building a democratic-centralist international. Gorbachev has rejected the idea of even a federated international.

He says, the time for an international is over. Yet for any genuine Leninist, the time for an international far from being over has never been more urgent. The basic reasons for the need to have an international were clearly understood by Lenin who linked this necessity to the economic and political nature of capitalism in its imperialist phase. Late capitalism has only reinforced these reasons, which will be presented here in the form of a number of brief propositions.

(1) Economically, late capitalism means the even greater internationalisation of productive forces-not just export of commodities and capital, but the international organisation of the production process itself through, e g, multinationals. Any superior mode of production, i e, socialism must necessarily be on the world scale for it is only on such a scale that the basic and global problems of poverty, environmental degradation (e.g., destruction of the Amazon), national, regional and social inequalities of all kinds. control over scientific and technological progress, etc, can be resolved.

(2) The class struggle is increasingly international in character. As always there is a lag in class consciousness. The objective reality is international organisation of production and distribution and international exploitation and extraction of surplus value,

International capital fights the class struggle internationally-shifting production from one national unit to another, importing contracted 'guest' or foreign labour, transferring orders, etc. Even elementary forms of class struggle (well below the struggle to overthrow a capitalist state-e g, a strike in one unit of a multinational) must increasingly be internationally co-ordinated and organised if they are to succeed.

(3) The international bourgeoisie, at least its leading layers and representatives, clearly recognise the international character of this class struggle and wage it with a class consciousness of their own that is in normal times far ahead of even the advanced detachments of the international proletariat or of their supposedly most advanced representatives-the leaderships of the 'socialist' states.

The bourgeoisie's highly developed sense of international class consciousness leads it to organise a variety of multinational, international, extra-national and extraregional associations be it ASEAN, various regional military pacts, the IMF, World Bank, EEC, etc, whose primary purpose is to safeguard the whole gamut of capitalist interests internationally.

(4) In the imperialist epoch, wars, revolutions and counter-revolutions increasingly take on the form of international revolutions and counter-revolutions. There has not been a single important revolution in the twen tieth century which has not been pushed forward by international developments or which has not spread revolutionary struggles to other countries. The Russian revolution-spread to Finland, Poland, Germany, Austria, Hungary and partially, Italy. In 1936 the Spanish revolution started to spread towards France. The Chinese revolution of 1946-49 spread to Korea, Indochina, Indonesia, Malaya. The Yugoslavian revolution to Albania and Greece. The Indochinese revolution spread to Algeria. The Algerian revolution to Augola, Mozambique and Guinea-Bissau, which in turn spread it to Portugal. The Cuban revolution spread throughout Latin America. The Nicaraguan revolution gave vital stimulus to the revolutionary struggle in El Salvador.

It is this internationalisation of revolutions and counter-revolutions that constitutes the political basis for the necessity of a revolutionary international and not just a loose international 'talking shop'.

(5) The tasks of such an international take on an increasingly wider political scope and go beyond just opposition to strike breaking and international solidarity campaigns. Given the international character of counterrevolutionary forces and organisation, revolutionary forces must try and organise correspondingly so that the enemy is not faced in a dispersed fashion which makes the defeat of even 'national level' struggles more likely or victory for them more difficult and more costly.

Revolutionary confrontation on a global scale requires programmatic homogeneity, international centralisation of revolutionary experiences and the lessons of struggle, consistent and continuous international co-

ordination of resistance, campaigns and various other actions mediated through international leadership bodies themselves connected dialectically with the leaderships of national revolutionary organisations.

(6) The only alternative to a binding democratically centralised international is 'national-communism'. The final logic of 'national-communism' is the tragedy of open war between 'socialist' countries themselves for which the governing bureaucracies of these countries bear full responsibility.

In 1914, out of the collapse of the 2nd international and the retreat into national chauvinism, Lenin and Luxembourg drew the lesson of building the 3rd international so as to avoid the repetition of a tragedy aptly summarised by Luxembourg: "Workers of all countries unite in times of peace and kill each other in times of war." Today, despite the conflicts (indeed wars) between 'socialist' countries, 'national-communism' is being given greater legitimacyl

(7) The world revolution is not a single act but a process in which the breaking of a national link, i e, a successful revolution at the national level constitutes not the final but

the initial act.

(8) Just as the organisation of the national revolutionary party of combat constitutes the crucial subjective factor in bridging the gap between the advanced consciousness of the bourgeoisie determined to sustain its rule at all costs on the one side and the inadequate consciousness of the working class and oppressed masses on the other; so too is it necessary to bridge this even wider gap on the international scale through the construction of a revolutionary international.

All the great classical figures of revolutionary Marxism like Marx, Engels, Lenin, Trotsky, Luxembourg, recognised the necessity of building an enduring revolutionary international. In more recent times, the leaders of China and Vietnam when their countries and parties faced sustained hostility from imperialism gave pronounced emphasis to the virtues of international solidarity and support, even if in contrast to an earlier generation of revolutionaries their internationalist vision and understanding was far more limited. When the pressure eased so too did their own commitments to principled internationalism. especially in the case of China.

In the post-War era, the most notable exception, the one figure who stands out by his own life example as one of the greatest internationalists and revolutionaries ever, is. of course, Che Guevara. It is no accident that he has been the only major communist leader of modern times who actually tried to build a revolutionary international organisation of sorts—the Tricontinental Congress.

In conclusion it remains only to contrast this internationalist vision of some of the greatest figures in the history of communism with Gorbachev's contemporary vision. In his own words, "strict observance of the principles of peaceful coexistence by all. This is what the practice of socialist internationalism rests on."

## Appendix

## 1977 Constitution of USSR

(Novosti Press Agency Publishing House, 1978) "The foreign policy of the USSR is aimed

- (1) Ensuring international conditions for building communism in the USSR
- (2) Safeguarding the state interests of the Soviet Union
- (3) Consolidating the positions of world socialism
- (4) Supporting the struggle of peoples for national liberation and social progress
- (5) Preventing wars of aggression
- (6) Achieving universal and complete disarmament
- (7) Consistently implementing the principle of the peaceful coexistence of states with different social systems."

## Gorbachev's Speech on the 70th Anniversary of October

(November 2, 1987 at joint meeting of the CPSU Central Committee, the Supreme Soviets of the USSR and the Russian Federation.) All quoted extracts from the English language translation of the speech in Soviet Review, volume XXIV, no 46, November 5, 1987, published as a separate pamphler by the USSR Embassy in India

#### Α

"Trotsky and the Trotskyites negated the possibility of building socialism in conditions of capitalist encirclement.

In Foreign policy they gave priority to export of revolution... This was essentially an attack on Leninism all along the line" (p. 15).

B

"During the few years when Lenin directed Soviet foreign policy, he not only worked out its underlying principles but also showed how they should be applied in a most unusual and abruptly changing situation...

He realised that the country had secured not merely a 'breathing space' but sontething much more important—'a new period in which we have won the right to our fundamental international existence in the network of capitalist states'. In a resolute step, Lenin suggested a policy of learning and mastering the art of long-term 'existence side by side' with them. Countering leftist extremism, he argued that it was possible for countries with different social systems to coexist peacefully. . . .

Treaties were concluded with neighbouring countries and then, at Rapallo with Germany. Britain, France, Italy, ... and other capitalist countries extended diplomatic recognition to the Soviet Republic. ...

These were not simply the first victories of Lenin's foreign policy and diplomacy. They were a breakthrough into a fundamentally new quality of international affairs.

The main thrust of our foreign policy has remained unchanged. We have every right to describe it as a Leninist policy of peace, mutually beneficial international co-operation and friendship among nations" (pp 43 and 44).

C

"Naturally there have been changes in the

Leninist concept of peaceful coexistence. ... Continuing the class based policy of the victorious profetariat, peaceful coexistence later, particularly in the nuclear age, became a condition for the survival of the entire human race" (p 45).

D

"The most important thing is that our concept and our firm dedication to peace are reflected in practical action, in all our international moves, and in the very style of our foreign policy and diplomacy which are permeated with a commitment to dialogue—a frank and honest dialogue conducted with due regard for mutual concerns and for the advances of world science, without attempting to outmanoenvre or deceive anyone" (p 46).

F

". we should begin by posing some tough questions—of course, tackling them from Leninist positions and using Leninist methodology.

The first question relates to the nature of imperialism. We know that it is the major source of the war threat. But given the current stage of the world's development and the new level of its inter dependence and integration, is it possible to influence that nature and block its more dangerous manifestations?...

The second question is connected with the flist one can capitalism get rid of militarism and function and develop in the economic sphere without it?

The third question: can the capitalist system do without neo-colonialism which is currently one of the factors essential for its survival?...

In other words, the question is whether capitalism can adapt itself to the conditions of a nuclear-free world without weapons, to the conditions of a new and equitable economic order, to the conditions in which the intellectual and moral values of the two world systems will be compared honestly. These are far from idle questions... We will see them answered in due time....

To sum up, what do we count on in our awareness that a safe world will have to be built jointly with the capitalist countries?" (pp 48 and 49).

F

"Since an alliance between a socialist country and capitalist states proved possible in the past, when the threat of fascism arose, does this not suggest a lesson for the present, for today's world which faces the threat of nuclear catastrophe and the need to ensure safe nuclear power production and overcome the danger to the environment? ...

Whatever the actual reasons, there was a period when the modern capitalist economy developed rapidly in several countries whose arms spending was ininimal....

But the neo-colonialist methods of using the resources of others... also lead to an impasse" (pp 50 and 51).

G

"Indeed, the novelty of the international economic and political processes of our time has not yet been fully grasped and assimilated.

Yet this will have to be done because the ongoing processes have the force of an objective law: either a disaster or a joint quest for a new economic order taking into account the Interests of all on an equal basis.

The way to establishing such an order, as we see it today, has become discernible: through implementing the 'disarmament-for-development' concept" (p. 52).

H

"Therefore ... the masters of monopoly capital, will have to make a choice. It is our belief, and it is confirmed by science, that at the present level of technology and organisation of production, the re-conversion and demilitarisation of the economy are feasible. This would be tantamount to opting for peace....

In sum, in this sense too, capitalism is facing a limited choice—either to let things reach the breaking point or to heed the laws of the inter-connected and integral world, one that calls for a balance of interests on an equal basis" (pp 53 and 54).

1

"An urge for national identity and initiative makes itself increasingly felt in the organisations reflecting the processes of inter-state consolidation among the developing countries. ... the Organisation of African Unity, the League of Arab States, the ASEAN, the Organisation of American States, the Latin American Economic System, the South Pacific Forum, the South Asian Association for Regional Co-operation, the Organisation of the Islamic Conference and, especially, the Nonaligned Movement. . . .

Although they have already turned into a noticeable factor in world politics, none of them has yet fully revealed its potentialities. But the potentialities are colossal, and it is even hard to predict what they will yield in the next 50 years" (p. 55).

J

"Such are the reasons for our optimistic view of the future, of the prospects for creating an all-embracing system of international security" (p. 56).

K

"I feel this anniversary is the right occasion to mention the Third Communist International... For all the drawbacks and errors in its activities and for all the bitterness the recollection of certain chapters in its history may evoke the Communist International is part of our movement's great past...

The time of the Continunist International, the Information Bureau, even the time of binding international conferences is over. But the world communist movement lives on...

All parties are completely and irreversibly independent. . . .

In this sense, too, the 27th Congress of the CPSU was a final and irrevocable turning point" (pp 57 and 58).

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## The Privatisation Argument

Ramaswamy R Iyer

I

THE present note has been partly occasioned by Samuel Paul's review of the international experience of privatisation (EPW, February 6), but is not a rejoinder to that article. While Paul's article is a result of research, this note is increly a piece of reasoning; and while the former does not either advocate or disapprove of privatisation, but is essentially concerned with the extent of success achieved and the factors responsible, the present note is an effort to bring out the logical implications of any proposal for the privatisation of public enterprises.

H

A recommendation for the privatisation of public enterprises can arise from several considerations; the most fundamental of these is the doctrinal one, namely, a belief in market forces and an aversion in principle to public investment. Such an approach lies behind the British effort at privatisation, though other considerations have also played a part in it. While we may take note of this doctrinaire advocacy of privatisation, it does not seem necessary to discuss it any further. If we believe in a planned economy, and in state intervention as a logical corollary of such planning, then public investment is one of the modalities of such intervention. A plea for privatisation on doctrinal grounds is nothing less than a plea for the abandonment of this form of state intervention. The two philosophies are poles apart.

However, even within the framework of planning and state intervention, there could be a plea for the privatisation of some public enterprises as a means of recouping a part of the invested resources. This raises the basic question: why invest resources in the first instance and then start 'recouping' those resources? But there could be some circumstances under which such a course makes sense. The raising of resources was, in fact, an important consideration in the British privatisation effort. However, as Paul has noted, this presupposes the existence of a strong private sector and a well-developed capital market. The conditions in India are not comparable to those in the UK in this regard. Moreover, assuming that we can find buyers in the private sector for some of our public enterprises, any such privatisation effort is bound to encounter a dilemma. Substantial resources can be raised only by the sale of shares in successful, profitable enterprises; in which case, there would be a one-time capital inflow at the cost of sacrificing the future recurring flow of profits. (To some extent, this issue must have arisen in Britain also, and presumably a careful comparison was made of the relative economics of the two alternatives of the sale and retention of certain enterprises.) On the other hand, it seems doubtful whether any significant quantum of resources can be raised through the partial or complete privatisation of enterprises which are making poor profits or losses.

Another and somewhat less controversial form that the plea for privatisation can take is the recommendation that the government should shed some low-priority, non-strategic, or non-essential activities. For instance, it has been suggested that there is no need for the government to run hotels or be in the business of bread-making or soft drinks. These may seem obvious instances of activities which could well have been left to the private sector, but in each such case there could have been cogent reasons for the establishment of a public enterprise under certain circumstances. However, it could certainly be argued that whatever the circumstances under which public investment in such activities had taken place in the past, it does not follow that they should continue to remain in the public sector. Suggestions have been made by certain committees that such instances should be reviewed and efforts made to shed some of these activities from the public sector. In reply to this, it has been argued that while such activities are perhaps not essential components of the public sector, nevertheless, if the enterprises are making profits there is no reason why they should be privatised; and that so long as there is a continuing stream of profits from such activities, they could well be allowed to remain in the public sector. On the whole, however, it must be conceded that there is a case for reviewing such instances and getting out of some of the unimportant activities. (As an alternative to total privatisation a suggestion has been made that state-owned hotels, for instance, could be entrusted to private management on a lease basis with a condition of guaranteed minimum profits.)

## III

One of the reasons most strongly urged for privatisation is the impact of public enterprises on the government budget. In this context, we have to distinguish between two kinds of drafts on the budget by a public enterprise: the budget may have to provide funds for investment in the approved plan outlay of an enterprise; or the public enterprise may depend on contributions from the budget to support subsidies, uneconomic activities, the discharge of social obligations,

and so on. A draft on the budget towards the approved plan outlay of an enterprise cannot be a reason for privatisation. We have opted for planned economic development, and public sector outlays are an essential part of the plan. While the generation of resources by public enterprises has to be maximised, there would always be need for fresh investment funds from the government. In a difficult financial situation the budget provisions may have to be pruned in the light of the resources available, but there is no case for privatisation on this account. Moreover, the situation in India today is that even projects in the private sector are heavily dependent on public resources, i e, term loans and equity capital from public financial institutions.

The second kind of budgetary impact mentioned above, namely, the draft on the budget to finance subsidies, uneconomic activities, etc, is of a different category, but it is doubtful whether even this calls for privatisation as a solution. Clearly, it is as a matter of policy that certain uneconomic activities or subsidies are being maintained; and the 'impact' on the budget is that of those policies and not of the enterprises which carry them out. If we wish to provide price support to farmers while at the same time subsidising foodgrains to consumers; or if we wish to provide fertilisers to farmers at prices lower than what a fair price to the producers would indicate; or if it is considered undesirable to raise the fares for urban transport services above a certain level: in all such cases, the consequential budgetary implications will have to be accepted. Privatisation is no solution to this kind of budgetary problem. If the same policies are to continue after privatisation, the subsidies will have to be paid to the privatised enterprises. Alternatively, the subsidisation may stand discontinued after privatisation, but that is a policy change. If such a policy change is acceptable, it could well be brought about with or without privatisation. To ask for privatisation as a remedy for the budgetary impact of publicenterprises could thus be an indirect way of asking for the stoppage of certain kinds of state intervention, i e, changes in socio-economic policies.

There is also a third kind of draft on the budget, namely, the budget support needed by chronically loss-making enterprises to maintain their liquidity. Privatisation may be suggested by some as means of reducing this kind of draft on the budget. However, it is precisely in such cases that privatisation will be most difficult; and the government has no option but to examine such cases in detail and formulate an appropriate package of remedial measures to rehabilitate these enterprises. Some of them would be those which were taken over from the private sector because they had fallen sick; clearly na-

tionalisation cannot be followed by reprivatisation except in rare cases (if any). There are others whose current losses can be attributed to errors in the original investment decision (particularly in the early years of planning), such as an unduly large capacity based on an over-estimation of demand, a mis-match between the product-mix and the market demand because of the absence of a proper market survey, and so on. There are instances in which the location of a unit in a backward area for soclo-economic policy reasons has imposed considerable costs on the project, both capital and operational, leading to losses. In yet other cases, there is a burden of over-capitalisation and accumulated losses arising from enormous time and cost overruns on the implementation of the project, which in turn were due to weaknesses in project planning and lack of experience in project management in earlier years; in such cases, at least a part of the inflated capital cost may have to be isolated and treated as the price paid for passing through the 'learning curve'. An ambitious insistence on the maximum use of the still-developing indigenous engineering and manufacturing capabilities; recourse to second-best sources of technology and equipment abroad because of foreign exchange constraints; and an excessive burden of social overheads by way of townships, hospitals, schools, etc; have also made their own contributions to over-capitalisation. It is not necessary to elaborate this further. The point is that we need to make a typology of loss-making enterprises in accordance with the factors responsible, with a view to formulating remedial measures. A detailed study will have to be made in each case with a view to identifying a possible package of measures including one or more remedies such as modernisation, revamping, capitalrestructuring, new marketing strategies, changes in product-mix, technological upgradation, reduction of surplus manpower, price changes, changes in top management, and so on. However, there could be some cases in which no such rehabilitation plan is feasible and closure seems the only way out: it is in such cases that privatisation could be considered, If it is possible to find an industrial or commercial house in the private sector which for its own reasons is interested in acquiring a particular loss-making enterprise from the public sector. (The reported decision of the government to sell Scooters India Ltd, to a private party could be an example of this.) However, while privatisation might be worth considering under these circumstances, there may not be many such instances.

#### IV

Lastly, privatisation is also sometimes recommended as a solution to what is described as 'the public sector efficiency problem', i.e. with a view to bringing about a greater efficiency of operations. Some references in Samuel Paul's article seem to indicate an implied acceptance of this idea. However, two points need to be noted in this context. The first Is that by privatisation we would be changing the character of a public enterprise, as it would no longer remain a public enterprise; we are, therefore, not really solving the 'public sector efficiency problem' by this method but mcrely getting rid of the public enterprise in question. The second point is that we are assuming that public enterprises are ipso facto less efficient than private enterprises; and there is no warrant for this assumption. Among public enterprises, as among private enterprises, there are good, bad and indifferent performers. Hindustan Organic Chemicals Ltd, National Thermal Power Corporation, Petrofils Cooperative, Rashtriya Chemicals and Fertilisers, National Fertilisers, Indian Petrochemicals Corporation, and Bharat Earth-Movers are a few examples of efficient public enterprises; and at least some of these are operating under competitive conditions. Hindustan Machine Tools has for years been cited in management literature and in seminars and workshops both in India and abroad as an excellent example of an efficient public enterprise, though there has been some decline in its performance of late. BHEL is not without its difficulties and problems, but it is certainly one of our more successful public enterprises, and one which has played a pioneering role. RITES and IRCON have done extremely well. At least some of these companies, if they had been in the private sector and if their shares had been quoted on the stock exchange, would have been blue-chip companies. On the other hand, it is quite clear that there is a considerable incidence of sickness in the private sector, as evidenced by take-overs by the government and nationalisations from time to time; and such instances include units belonging to some of our best industrial houses. Thus it would be wrong to draw a line betweenpublice and private enterprises and regard it as a line between inefficiency and efficiency. However, it can be cautiously stated that in general, shining exceptions apart, an average public enterprise tends to operate at a less than optimal level of efficiency and tends to suffer in comparison with its counterpart in the private sector, particularly in terms of financial profitability.

This does not mean that managers in public enterprises are less efficient than their private sector counterparts; the truth is that the former practise the arts of management in a different and vastly more difficult environment than the latter. It follows that if indeed there is a gain in efficiency following privatisation this is not because the managers have changed or have suddenly become more efficient, but because the environment and conditions for the exercise of managerial skills have changed. But are we not assuming too readily that changes in environment and style are impossible without privatisation? This needs to be gone into a little more carefully.

What does the difference in style between the public and the private sectors consist in? There are a number of differences, small and large, which could be broadly summed up by saying that in general the private sector is able to function in a somewhat more businesslike manner than the public sector. In particular, the operations of public enterprises are usually characterised by a greater slowness in decision-making than that in the private sector; more paper-work; and less flexibility in responding promptly to emerging situations and developments. This is mainly attributable to the attitudes and procedures imposed by public ownership and the modalities of accountability. Several commissions and committees have made observations concerning the lack of adequate operational autonomy in public enterprises, the prevalence of bureaucratic interference and the inhibiting effect of audit, vigilance arrangements and parliamentary questions and enquiries. There is also the danger of an increasing approximation to governmental styles and procedures arising from the Supreme Court's decisions in certain cases to the effect that publish enterprises are an extension or an arm of the

Another important difference between public and private enterprises is in the area of personnel management. It is a paradox that in government, appointments, selections, advancements, down-grading and terminations, which are essentially managerial functions, have ceased to be matters of exccutive action and have become matters of what is described as 'subordinate legislation'. Every step has to be taken in terms of what are referred to as recruitment and promotion rules, which have to be framed and notified under articles of the constitution and therefore acquire the status of law. Disgruntled. employees can go to courts on eligibility, short-listing, seniority, selection procedures, merit-listing, etc, and indeed on questions of natural justice. Any exercise of managerial judgment, whether in the matter of initial appointment or subsequent promotion or that of termination, runs the risk of being challenged as prejudiced or procedurally incorrect or unjust, and quashed by the courts. This entire philosophy and system is getting partially replicated in public. enterprises through the Supreme Court decision that public enterprises are 'state'. If this process goes far enough, the adoption of personnel policies designed to encourage motivation and performance would become virtually impossible. 'Fast-track promotions' are liable to be struck down; even shortlisting could be challenged on merits. Everything will in course of time be governed by rigid rules or principles or guidelines, and selectivity and judgment would be reduced to extremely narrow confines.

Having noted the differences in style between public and private enterprises, the question that needs to be considered is whether it is impossible to find answers to these problems except through privatisation. What is called for clearly is a significant change of style—a closer approximation to (though not the complete adoption of) the private sector style. This is not impossible, bu, will call for a considerable re-orientation of our concepts and modalities of accountability, and for a much greater concern with results than with processes and procedures. The thrust of accountability will need to change from an accountability for the correctness of Isolated actions and decisions (though this will never be wholly irrelevant) to an accountability for overall performance and the achievement of objectives. Decisionmaking should not be intimidated and responses slowed down by apprehensions of ex post facto objections and enquiries. There has to be a realisation that there is no adverse relationship between autonomy and accountability, and that accountability requires autonomy as a prerequisite. Observations to this effect have been made in many reports and studies. The question is whether we can bring about a transformation of this kind.

### VI

At this stage is is necessary to take note of a possible objection. It could be argued that public enterprises cannot be expected to function like private enterpriscs, and that if they are to do so the activity in question might as well have been left to the private sector. This is not really the clinching argument that it appears to be. Let us consider why it is that public enterprises are setup as entities outside the government and given an 'enterprise' form. This is precisely because of the feeling that while the need for state intervention often necessitates the entry of the state into production or commerce or other business activity, these activities are not best carried on through government departments. If we do not want public enterprises to function like government departments, then in what manner do we want them to function? Clearly, we want them to function in a 'businesslike' fashion-which is another way of saying that they should function in ways similar to those of efficient private enterprises. There is thus no escape from the conclusion that if governments want to enter into business and set up public enterprises to carry on such activities, these enterprises must necessarily pattern themselves on the manner of functioning of efficient private enterprises. No other analogy is available.

What then can people mean when they say public enterprises cannot function like private enterprise? They can mean one of two things, or perhaps both. The first is that public enterprises must maintain a certain code of conduct, and should not have recourse to the kinds of improper or even corrupt practices that the executives of private enterprises might sometimes be willing to employ. It has of course to be noted that even in the private sector, organisations

of repute do observe a certain code of conduct and eschew practices which the less scrupulous firms might employ. With that reservation, however, it is possible to agree that one would expect public enterprises to observe certain norms and proprieties in their conduct of business.

However, the second thing that people can mean tends to go much further. The kind of procedural freedom, informality and easy-going style which characterise the functioning of the more efficient, energetic and successful private enterprises is not considered appropriate for public enterprises. But what then happens to the 'enterprise' dimension? It is a characteristic of governments that they must be procedure-bound. that there must be a total record relating to all actions and decisions, and that correctness at every stage is even more important than achieving the intended result. To say that that style should be replicated in public enterprises is to doom public enterprises to failure from the start. But of course no one will quite say that; people are more likely to say that public enterprises should be neither wholly like governments in their style of functioning, nor wholly like private enterprises, but should steer a middle course. That sounds very sensible; but while it is easy enough to say this, the precept is a difficult one to follow. In stressing the fact that public enterprises are 'public' institutions we tend to stress their closeness to the government; and in stressing the fact that they are 'enterprises', we tend to emphasise their similarity to private enterprises. What needs to be recognised is that in the course of actual operations, a public enterprise is always being pulled either in one direction or in the other; and that if a perfect balance cannot be maintained it is better to tilt in the direction of the 'enterprise' style rather in that of the government style.

#### VII

It may be argued that while this plea is logically consistent, it is not realistic. It may be felt that our accountability agencies like audit or the vigilance machinery will not change their approaches or procedures, and certainly that parliament will refuse to make any changes in the scope of its questions and enquiries, and will not be willing to agree to the kind of self-denying ordinance that the British parliament is understood to have imposed upon itself in relation to stateowned enterprises. It is likely to be contended that so long as the Supreme Court decision to the effect that public enterprises are an extension of the state remains the law of the land (and it has been hailed as a landmark decision), the kind of closer approximation to the private sector style that is being urged here is utterly out of question. If indeed this were so, then one might be tempted to regard privatisation as the only effective answer to what has been referred to as the 'public sector efficiency problem'.

This, however, is a counsel of despair. It seems odd to take the position that we

should either keep the enterprises in the public sector and hamstring their operations as much as possible, or alternatively hand them over to the private sector. This would be a case of throwing the baby out with the bathwater. We do have public policies in view that call for state intervention in general and public investment in particular. We can neither give up those policies, nor jeopardise them seriously by trying to get them performed by private enterprises, merely because we are not willing to change our ideas of what should constitute the public sector style.

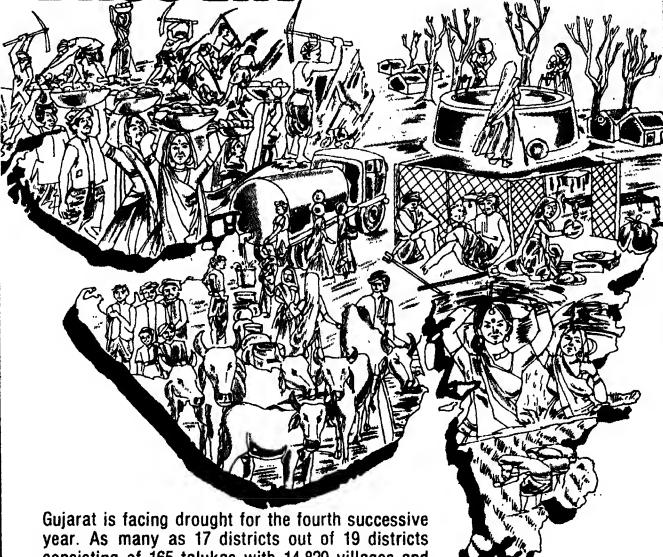
It cannot possibly be parliament's Intention that its own extensive questioning and enquiries should unwittingly increase and reinforce bureaucratic interference in the operations of public enterprises and abridge their autonomy unduly; nor can it possibly be the Supreme Court's intention to create conditions under which the operations of public enterprises get hampered seriously and the privatisation argument acquires force. It is merely a question of seeing and pointing out the implications clearly; that is what this note has been trying to do. The point that is being urged here is that before we give up the cause of improving the operations of public enterprises, and go to the extreme of recommending the privatisation of ownership, we should try the intermediate course of a measure of privatisation of style. What is recommended is not the wholesale adoption of the private sector style but a measure of approximation to that style. This is the true answer to recommendations of privatisation as a solution to the 'public sector efficiency problem'.

#### VIII

Summing up, it would appear in the light of the foregoing analysis that privatisation might be worth trying in a few cases as a means of shedding some unimportant or low-priority activities which need not have been in the public sector at all in the first instance; and that it might also be appropriate to try privatisation, if possible—as an alternative to closure—in the case of lossmaking enterprises for which a package of remedial measures within the fold of the public sector is not feasible. Clearly such instances must be very few. As for privatisation as a solution to the 'public sector efficiency problem', it does not really solve but evades the problem: it would surely be much better to try a partial privatisation of style rather than the privatisation of ownership.

In this note I have not dealt with the question of getting certain municipal and other services performed on contract basis (to which Samuel Paul has made a reference), because it seems to me prima facie that such a course is likely to run into legal difficulties in this country, where the law is in favour of departmentalising operations which are currently being performed through contractual arrangements rather than the other way round. However, I cannot say that I have examined this matter in detail.





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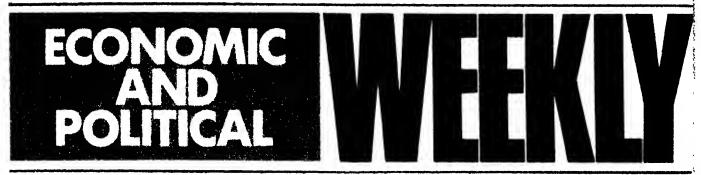
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## ECONOMIC AND POLITICAL WEEKLY

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## **Cultural Reproduction**

Theorists of cultural reproduction are criticised by resistance theorists for supporting the current social order as individual action is limited to acceptance and capitulation. This is a limited view of cultural reproduction inasmuch as a careful reading of, for example, the works of Pierre Bourdieu indicates the possibilities for individual determination and 'contained' transformation.

592

## The Other Producers

Every day all along the Kerala coastline thousands of bronzed fishermen roll in with the surf of the Arabian sea in their boats and catamarans, hauling in the day's catch. What they bring in comprises about 70 per cent of the total landings in the state. Yet these and other fishermen in neighbouring Tamil Nadu have been plagued by a variety of problems that affect their livelihood and their families. 578

While there may be limited social advantages in bringing together in a relatively public place women who would otherwise remain in their homes, the employment of women in khadi spinning is not serving the objective of income distribution. The effort of the khadi sector needs to be directed towards not merely maximisation of employment at remundrative wages but the provision of this employment to the poorest.

## **Financial Tremors**

The view is gaining ground that, in the absence of adequate and concerted corrective action in the major countries, the renewed turbulence in the financial and foreign exchange markets portends a deep recession accompanied by higher interest rates. The financial markets can be an effective instrument for stimulating socio-economic development, provided several conditions are satisfied. 602

## Farming Wisdom

The World Bank and the USAID are being urged by the Indo-US Sub-Commission on Agriculture to shift gear from aiding irrigation development to dryland development in India. 575

## The Budget

As a political document, the budget for 1988-89 has two central messages: the Congress(1) is making a determined effort to win back the electoral support of the middle peasantry; and, second, it is preparing to aggressively confront the opposition-ruled states. 569 The finance minister has fudged his figures to show the budgetary bounty to the man-made fibres/yarn industry to be Rs 249 crore when in fact it is around Rs 500 crore.

## **Grassroots Politics**

The zilla and mandal parishad elections in the Ranga Reddy district of Andhra Pradesh have shown that the NTR wave is undiminished in the rural areas, with the backward castes backing Telugu Desam to the hill. The results of the simultaneously held municipal elections, however, suggest a different trend in the urban areas.

571

The in-fighting within the Left Front did not come in the way of CPI(M) making large gains at the expense of the Congress(I) in the panchayat elections in West Bengal.

574

## Technically Feasible, Also Politically?

It is technically feasible to achieve a growth rate of 7 per cent over the 90s. The broad direction of policy changes required to achieve it can also be identified. Whether or not these policy changes are politically acceptable is a different question.

597

## Wasteful Mechanisation

Coal India's modernisation programme proposes to earry mechanisation to the point where the saving in wage cost per tonne of coal is not commensurate with the cost of the additional investment in mechanisation.

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### LETTERS TO EDITOR

# Civil Liberties Organisations and the Revolutionary Movement

THIS refers to Vasanth Kannabiran's letter (February 17). While analysing the 'Andhra kidnap action' the letter makes some important points. It emphasises that political activists should not shy away from analysing left political actions and that these actions should not be judged merely by their success but also by their possible failures. It also rightly stresses the role of civil liberties organisations for the movement. The letter shows concern for the brunt of repression borne by some civil liberties activists resulting from violent actions indulged in by 'naxalite' groups.

The thrust of the letter, however, is different. The letter seeks to implicitly condemn the Andhra kidnap action on the ground that its possible failure could have led to repression of civil libertarians. No doubt, in passing, a reference is made to the possible repression of the tribals, but the horror is reserved for civil liberties activists.

Civil liberties organisations have been fighting three important battles. First, for enactment of new and wider implementation of existing pro-people acts; second, repeal of anti-people laws; and, third, against state lawlessness. Obviously the overall aim is to expand the rights of the people and to ensure their better implementation. These rights are, however, in the present society anchored in bourgeois institutions whether it be the legislature, executive or judiciary. The idea therefore. is to snatch more rights within these institutions and at best to reform these institutions. However, beyond certain limits the rights of the people cannot be expanded within these institutions and so there arises the need to break the link between democratic right and the bourgeois character of the institutions in which these rights are anchored.

At the same time for their own functioning the civil liberties organisations have to substantially obey and respect these bourgeois institutions. This is how they derive their 'legitimacy' in society as it exists. Their very legitimacy depends on accepting the overall structure of bourgeois democracy. Undoubtedly many individuals connected with civil liberties activities are also participating in movements which challenge the basic structure of the society or, in other words, the very

existence of these institutions. The organisations themselves however are very careful not to cross certain limits because their effectiveness depends, on their being legal organisations.

At the same time, as a major part of their activities these organisations have to take up the cause of political groups which are continuously working towards rupture of these bourgeois institutions and are as a consequence forced into becoming 'illegal' or underground groups. It thus becomes a major responsibility of these civil liberties groups to propagate against torture, encounter deaths and other repressive measures against these revolutionary groups. As long as they confine themselves to opposing these kind of atrocities, it will not affect their legitimacy because here the fight is still within the framework of bourgeois democracy, primarily asking the bourgeois institutions to obey their laws. The problem occurs when one is required to take a position not on the issue of atrocities upon these groups but on the issue of their revolutionary actions. To support the action of these groups it becomes necessary to distinguish the issue of democratic rights from the bourgeois institutions and to defend the former against the conceptional and practical limitations imposed on these by the latter. One can support the 'Andhra kidnap action' and defend its 'legitintacy' only if one supports the legitimate right of the people to violently attack the state, the right of the people to overthrow it.

There is thus an in-built tension in all civil liberties organisations in this country. The tension between supporting reform of bourgeois institutions on one hand and supporting their revolutionary rupture and replacement on the other—between fighting for rights which are anchored in bourgeois institutions and fighting for rights which these institutions cannot possibly give.

With the state becoming selectively more authoritarian and masses and groups becoming more active in their resistence, civil liberties organisations and activists will be forced more and more to choose between the two, i e, between giving primacy to the defence of the movement and its representatives and defending its own legitimacy and 'freedom' of functioning. It is one thing to say that the state should not violate its own laws, i e, to tell the state that it should act legally, and

totally another to say that the 'illegal' resistence of the people should be supported. There is no way this dilemma can be wished away. It is an integral part of the legal democratic rights movement in this country. The important thing is to recognise this tension and try to resolve it as much as possible in favour of the movement. But this approach also has its own dynamics. If the civil liberties organisations start supporting revolutionary movements, they themselves are likely be targets of repression. If they do not, they are more than likely to fall into the lap of the state and be virtually co-opted, at least on some crucial oceasions.

Ultimately, civil libertics organisations can be good appendages to the movement and not vice versa. No doubt political action can be criticised but on the criteria as to how it will effect the movement and not how it will effect civil liberties activists.

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### Opposition's Failure

The false propaganda by Doordarshan and All-India A Radio notwithstanding, the Bharat bandh on March 15 called by the opposition parties did bring normal life to a halt in cities and towns in large parts of the country. And even without going into the arithmetic of how successful the bandh was in which state, there can be no doubt that it was a significant political event. It was the first challenge of this sort at the national level by the opposition to the Congress(1). Again, while formally the bandh was sponsored by eight political parties, it is well known that it was the left parties, the CPI(M) in particular, which had taken the lead in organising it. It was thus a major political action by the communist parties at the all-India level. Further, the CPI(M) and the CPI also have reason to feel pleased that since the BJP alone among the major non-Congress(1) parties was not associated with the bandh, their objective of politically isolating the BJP has been advanced. (Even the Lok Dal(B) which has the BJP as its partner in the Haryana government was persuaded at the last moment to associate itself with the bandh.) Spokesmen of the CPI(M) and CPI have in fact claimed this as being among the main achievements of the

On the other hand, if the purpose of the bandh was to project the combination of opposition parties as a credible alternative to the Congress(1), the success of the effort has been far from unqualified. Partly this has to do with the prevailing situation among and within the opposition parties. There is first of all the BJP factor. In spite of what they may say publicly, the communist parties cannot seriously imagine that they have managed to isolate the BJP within the opposition camp. True, the BJP was kept out of the Bharat bandh in which the other major opposition parties joined. But then just the previous week, on March 9, the Lok Dal(B) had got together with the BJP to organise an eminently successful Delhi bandh and the largely attended public rally in the capital on that day had been addressed by leaders of all the major opposition parties, this time excepting the two communist parties. After having declared not so long ago that the leftists were his natural allies, V P Singh and his Jan Morcha have of late been associating quite openly and freely with the BJP. The fact is that on this score relations among the opposition parties remain as ambivalent as ever. Then there have been the unedifying developments within particular opposition parties. After the acrimonious split in the Lok Dal last year, developments seem to be taking almost a similar turn now in the Janata Party. Even if the party does not split, recent events with party president Chandrasekhar, in a transparent attempt to upstage Ramakrishna Hegde, proclaiming all by himself a merger of the Lok Dak(A) with the party and appointing Lok Dal(A) leader Ajit Singh as the

post-merger party's 'working president', have not been such as to add to popular confidence in the Janata Party in particular and the opposition in general.

An even greater cause for disquiet has been the nature of the opposition parties', and in particular the communist parties', campaign against the Congress(I) and the central government. The Bharat bandh was called on the demand for the resignation of the prime minister and the holding of fresh elections. What has been largely missing, however, is a consistent and effective exposure of the government's and the ruling party's failures and misdeeds which constitute the basis of the demand for the government's resignation. By any reckoning among the most disastrous of these has been the government's failure to cope with the Punjab problem. Indeed this has been more than just a failure. The government can legitimately be charged with having dealt with developments in Punjab from time to time in such a manner as to gain partisan political advantage for the Congress(I) even at the cost of strengthening the forces of extremism and jeopardising the unity and integrity of the country, not to mention the heavy toll of lives and human suffering in the terrorist violence and the government's anti-terrorist operations. This alone would justify a campaign for the government's removal. But the opposition parties, including the left parties, have failed to expose the doings of successive Congress(I) governments in relation to Punjab and the lasting damage done to the country as a result. Typical in this context has been the opposition's fumbling response to the government's attempt, through the Constitution (59th) Amendment Bill, to undo the changes in the emergency provisions of the constitution effected under the Janata government in 1979 with a view to more stringently defining the circumstances justifying the proclamation of a state of emergency and curbing to some extent the government's powers to ride roughshod over the fundamental rights provisions of the constitution during an emergency. It is a matter of shame for the opposition that though the ruling party did not have the requisite two-thirds majority in the Rajya Sabha it was able to have the constitution amendment bill passed with ease. Hardly more effective has been the opposition's performance in dealing with any of the government's other doingswhether it is the misadventure in Sri Lanka to which now close to a hundred thousand Indian troops have been committed or the blatant instigation of tribal violence and the use of the army to make possible a Congress(1) victory in the elections in Tripura or the government's anti people economic policies. This failure on the part of the opposition will certainly rob the Bharat bandh of much of its lasting impact, whatever its success in terms of bringing normal life to a standstill on a particular day.

### **AGRICULTURE**

### Launching a Second Green Revolution

THE 'new' agricultural strategy evolved by a task force set up by the prime minister following the mid-term appraisal of the Seventh Plan is essentially that of consolidating and spreading the so-called green revolution that was first launched in 1965. The focus of the action plan is on five crops in 169 potential districts in 14 states. The crops identified—rice, wheat, maize, gram and arhar-have a potential for higher yields. The 169 districts have been identified on considerations of soil condition, water availability, land development, past agricultural growth and availability of the technological package. The 14 states are Andhra Pradesh, Assam, Bihar, Gujarat, Harvana, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Piinjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

The Intensive Agricultural Areas Programme or the so-called green revolution was launched in 1965 in 114 districts. The emphasis was on a 'package' approach-HYV seeds, chemical fertilisers, pesticides, weedicides, controlled water supply-to be used in recommended doses. This was accompanied by soft credit, price incentives, marketing facilities and technical advice. It admittedly led to an improvement in crop yields and farm incomes particularly in the wheat growing areas of Punjab, Haryana, and western UP. HYV rice however failed to yield the desired results due to imfavourable agro-climatic conditions and the tenurial situation in most parts of the rice growing belt. Even in the wheat growing areas only the bigger farmers were able to adopt the new technology since they had the political and economic muscle to generate a large surplus and raise credit for investment in irrigation facilities and farm machinery. Middle and small peasants experienced a relative deterioration in their economic position, especially in Bihar and UP. The majority of the peasants in the rice growing areas have holding sizes of 2-3 acres and can only use small doses of fertiliser. They do not generate significant surpluses and are unable to raise loans from cooperative credit institutions for setting up minor irrigation facilities since they get indebted in years of crop failure. A large number of small peasants operate holdings under oral lease with high rates of rent and indebtedness.

Thus, the technological package was successfully adopted only in Haryana, Punjab and western UP with respect to wheat, and to a lesser extent rice, in large

irrigated holdings. Institutional factors were a major constraint in most of the other parts of the country side. The expansion of agricultural production and the spread of the so-called green revolution is crucially dependent upon the development of capitalism in agriculture. The diffusion of technology can precede the development of capitalist relations of production in agriculture only to a very limited extent.

### **POLITICS**

### AGP and Bharat Bandh

IF the Bharat bandh programme in Assam was less than successful, the responsibility should be laid as much at the odd way the organisers went about canvassing support for the bandh as at the determination of the dominant political forces in the state, the AASU and the AGP government, to ensure that the bandh would not succeed. The AGP formally remained 'neutral' but its front organisations, especially the powerful Karmachari Parishad, opposed the bandh call. In the event, barring symbolic picketing by leaders and workers of the parties which had given the bandh call, and equally symbolic 'arrests', the day was uneventful; there was not even the kind of deliberate brutality by the police as was witnessed in other cities, and even the organisers of the bandh could cite only one instance of mild roughing up.

But given the increasing tensions between the AGP government and the centre, the bandh could well have been thumping success if only the AGP had decided to actively support the call. That despite this, and the increasing aggressiveness of the union government and the Congress(I) in Assam towards the AGP government, the AGP decided to sit out the Bharat bandh can be explained only in the context of the ambiguous stand of the national opposition parties, especially those on the Left, who took the leadership in organising the March 15 Bharat bandh, towards the AGP as a political party and its government in Assam.

The decision to call a Bharat bandh was taken at a meeting in Delhi of these parties on January 21. But the AGP was apparently not invited to these talks becuase, as explained in a letter by Harkishan Singh Surjeet to Prafulla Kumar Mahanta (in his capacity as president of the AGP), of 'lack of time'. This letter was sent on February 10. But the AGP leaders in Guwahati maintain that this would not have been the only reason for excluding the AGP from these deliberations since anyway their MP in Delhi, Dinesh

Goswami, who has been authorised to take part in similar deliberations was very much in Delhi and available when the meeting took place. Instead of involving the party, just as another regional opposition party, the Telugu Desam Party, had been involved in these deliberations, the organisers of the bandh simply took a decision and wanted the AGP to fall in line.

Clearly, such 'selective untouchability' extended even to parties not in the category of those like the BJP or the Muslim League will not work. But this seems to be in keeping with the fundamental ambiguity towards the AGP on the part of the national opposition parties-an ambiguity and unsureness to which the AGP itself, by its loud assertions of the irrelevance of the national opposition parties in Assam, has substantially contributed. But while such prickly sensitivity on the part of a very young regional party which assumed political office within two months of its formal launching can be understood, less understandable is the ambivalence of the national opposition parties which can see nothing objectionable in consorting with a political formation like the TDP but which refuse to acknowledge that the AGP has much legitimacy in Assam as the TDP has in Andhra Pradesh.

Indeed, there seems to be a deliberate attempt to differentiate between the AGP as a political party and the government which it is heading in Assam. Thus, chief minister Prafulla Kumar Mahanta has been routinely invited to and has been taking part in formal and informal conclaves of opposition chief ministers having on their agenda issues relating to union budgetary transfers. Indeed chief minister Jyoti Basu has himself confirmed that the next conclave of opposition chief ministers (which he will be attending) will take place at Guwahati next month; the host will be chief minister Mahanta. But the same opposition parties have been chary of involving the AGP as a political party in their deliberations on larger national issues. The exclusion of the AGP from the deliberations at which the decision to call the Bharat bandh was taken is only the latest example of such odd discrimination. No doubt the leaders of the Left parties will have a 'political' explanation; but the more cynical may be forgiven if they see such selective untouchability as another instance of not making a bold political choice unless it is absolutely certain that in the developing scenario these parties themselves will have a dominating role. For instance, any. bold move to involve the AGP in the organisation of the Bharat bandh in

Assam would have meant, willy-nilly, acknowledging that the leadership of and initiative for organising the Bharat bandh in Assam would have to be assumed by the AGP. The message appears to be clear; Hold the fort and don't allow others to storm the citadel because we are not ready.

### BUDGET

### Disinformation on Defence

ACCORDING to the Stockholm International Peace Research Institute (SIPRI). which brings out a yearbook on World Armaments and Disarmament, since 1976 India's defence spending as a proportion of GNP has been 3 per cent or more, except in 1978. The calculations made by the government of India, however, show it as having been all through below 3 per cent, except in 1975-76 and 1986-87. As can be seen by a reference to the latest Economic Survey, this is so in spite of the fact that the government's calculations do not exclude pensions paid to defence personnel. Evidently, SIPRI's calculations include items of government spending that our government does not accommodate under 'defence'

The Economic Survey shows that defence spending as a proportion of GNP was 2.7 pci cent in 1982-83 and 2.8 pcr cent in 1987-88 (BE). The Survey speaks of the "remarkable stability" of defence spending "at about 2.8 per cent of GDP". However, going by the GNP figures given in the same document and applying to the figure for 1986-87 the expected rates of increase in our put and prices, GNP in current prices in 1987-88 would work out to around Rs 2,85,000 erore. The defence spending of Rs 13,439 crore in 1987-88 would thus amount to 4.7 per cent which is nowhere near the 2.8 per cent shown for 1987-88 in the Economic Survey. Would the difference in the denominators between GDP and GNP explain such a large disparity? Surely not.

One could give the authors of the Economic Survey the benefit of the doubt and blame the disparity on the printer's devil. But the fact has to be faced that India has already joined the league of the big defence spenders in the world. This is particularly so when one adds up all the defence-related spending accommodated under heads of accounts other than defence, such as Border Security Force, Indo-Tibetan Border Force, Border Roads, etc, even when one does not include space and nuclear development, a major part of the expenditure under which heads is clearly oriented to defence objectives. There can be no doubt that when SIPRI's calculations of India's defence spending ratio in 1987-88 come out, they will place India in the company of defence spenders with ratios of 5.5 per cent and above and—that means the top thirty countries.

### WEST BENGAL

### CPI(M)'s Victory

A Correspondent writes:

THE CPI(M) has inflicted a crushing defeat on the Congress(1) in the recently concluded three-tier panchayat elections in rural West Bengal. But this electoral victory marks the consolidation of social democracy in West Bengal and not that of Marxism. The CPI(M) and its partners in the Left Front have implemented various social welfare programmes like IRDP, NREP, etc, through the panchayats in the best tradition of social democracy and this has paid handsome dividends. Moreover, the Congress(I) has no peasant or rural organisations worth the name compared to the peasant organisations of the CPI(M), CPI, RSP and Forward Bloc. Further, the Congress(I) is riddled with infighting so much so that it conceded as many as 4,938 seats our of a total of 62,316 to the Left From uncontested.

In the best traditions of social democracy the left Front had registered more than a million sharecroppers by 1980, providing them security against eviction, recording their rights and regulating the share of the produce as rent. However, the programme of registration of sharecroppers began to wanc after 1981 allegedly due to political pressures from rich peasants and landlords, the former becoming party functionaries to stall land reform. Not enough attention has been paid to implementing minimum wage legislation since middle and rich peasants have an undue influence over the CPI(M)'s peasant organisations.

The CPI(M) has improved its position considerably in the gram panchayats, panchayat samitis and the zilla parishads. In 1983, the CPI(M) had won 54 per cent of the gram panchayat seats. 60 per cent of the panchayat samiti seats and 68 per cent of the zilla parishad seats. This time it has secured 65 per cent of the gram panchayat seats, 72 per cent of the panchayat samiti seats and 85 per cent of the zilla parishad seats. It has secured a majority in all the 15 zilla parishads for which elections were held, wresting the Malda zilla parishad from the Congress(I). In contrast, the Congress(I)'s position has been severely undermined. In 1983 it won 32 per cent of the gram panchayat seats,

29 per cent of the panchayat samiti seats and 23 per cent of the zilla parishad seats. This time it has won only 23 per cent of the gram panchayat seats, 19 per cent of the panchayat samiti seats and 7 per cent of the zilla parishad seats. The position of the CPI, RSP and Forward Bloc had remained more or less the same or has marginally improved. The CPI(M) however seems to have benefited from the infighting over the allotment of seats among the Left Front partners, its candidates having emerged victorious in a number of triangular contests. One does not know how serious or how true are the allegations of the Forward Bloc and the RSP of rigging by the CPI(M) in these triangularly contested seats. The RSP and Forward Bloc have since retracted their charges for lear of being removed from the Left From and consequently being marginalised in West Bengal's bipolar nolities.

The CPI(ML) groups that believe in participating in elections as a tactical line, like the COI(ML), PCC, CPI(ML), IPF, etc. put up a large number of candidates this time (around 10,000) against 1,200 or so in 1983. Going purely by the number of seats won, they seem to have fared poorly compared to the 1983 elections. In the bipolar politics of West Bengal it is perhaps difficult to beat social democracy at its own game. The CPI(M) is effectively and efficiently preventing the growth of radical communist forces in West Bengal.

### NICARAGUA

### Reagan's Last Fling?

THE news late this week that Honduran jets have attacked a military base in Nicaragua and that US troops have been landing in Honduras, 'in response' to a request from the Latin American government, is probably the worst from the region since the Arias peace plan was launched. At the same time, given the rapid developments which have taken place in the last month there, it is not unexpected.

It was after all only two weeks ago that the US Congress had rejected for a second time the Contras aid package. This time it was a Democrat-sponsored bill—and that probably was the reason for the negative vote—for 'humanitarian' aid of the order of \$ 30.5 million. The US government is obviously finding it difficult to sustain the myth of Reagan's Latin American policy. The Nicaraguan government has been more than accommodating in seeking to implement the peace plan, but has refused to com-

promise the gains of the revolution.

The two rounds of talks with the Contras, with the Roman Catholic Cardinal Miguel Obando Y Bravo as moderator, have failed to produce concrete results although they have not been abandoned. In fact, the next round of talks was scheduled for March 9 and were to be held for the first time within Nicaragua. The Contras, however, withdrew at the very last moment on the plea that prefiminary meetings should be held to work out the details of the format of the talks. They have also demanded that Bravo should continue to be the moderator while Nicaragua had, on the grounds that fie made no substantial contribution towards a settlement, suggested his absence at the March 9 meeting. President Daniel Ortega has since stated that he would be willing to resume talks 'without any conditions' and has even agreed to Bravo's presence as a witness. Neither the Contras nor the US is clearly interested in furthering the peace process in Nicaragua.

In the meanwhile Ortega is almost the only participant of the peace plan who is determinedly trying to implement the specified conditions, including political liberalisation. The Sandinistas desperately need a respite from the hostilities. The Nicaraguan economy, with its heavy burden of defence expenditure, is nowhere near heafthy and eight years of war have made it impossible for the government to bring about the kind of changes which would consolidate the revolution's gains. The Honduran government has made no move to throw out the Contras but instead has now accused the Nicaraguan troops of starting a "major invasion of Honduras" and of 'threatening' to crush the Contra strongholds there. This apparently is the reason why it 'requested' the US for troops.

Nicaragua has denied the accusation of invasion, but has acknowledged that in its war with the Contras, it is quite possible that its troops may have entered Honduran territory. This can hardly be termed as 'invasion'. There are early reports of a move to persuade the UN to send a team to investigate the situation. The spurious nature of the Honduran accusation will no doubt come to light soon enough.

The fictitious nature of the Honduran 'request' for US troops may take some more time to be revealed. For there is every reason to befieve that the US, as it has done so often in the past in Latin America and elsewhere, pre-empted the supposed Honduran request. This is probably Reagan's last desperate bid to garner international sympathy for the cause of the Contras and so of the US. Nicaragua has

its work out—it must not only militarily prepare for a possible escalation, but also do its best to maintain the political 'liberalisation' which it has so recently implemented. Ortega had only fast month stated that regardless of the attitude of the other countries in the region towards the

peace plan, Nicaragua will continue to further the process. The moot question, however, is: will a single country, however determined, succeed in achieving these objectives, without paying the heavy price of losing what it had gained nine years ago?

### **BUSINESS**

THE BUDGET

## Fudging the Bounty for Synthetic Textiles

THE union budget for 1988-89 has proposed a wide range of excise duty reductions to lend "fiscal support to the endcavours of the ministry of textiles in reviving this industry so that, once again, it can regain its rightful place in our economy". The hefty excise concessions are said to be based on a "comprehensive review of the duty structure relating to the various segments of the industry with a view to lowering prices, increasing the demand for fabrics and increasing the base of production".

Very briefly stated, the excise duty on polyester l'ifament yarn has been reduced from Rs 83.75 to Rs 53.75 per kg, on polyester staple libre from Rs 25 to Rs 15, on nylon filament yarn from Rs 70 to Rs 40, on acrylic yarn from Rs 10 to Rs 8 and on viscose staple fibre cleared for blending with cotton from Rs 7 to Rs 5 per kg. The excise duty on cotton yarn of counts not exceeding 35 has been reduced by 10 per cent and the duty on yarn above 35 counts is being reduced by 3 paise per count. This will mean a reduction of up to a maximum of 28.5 per cent, depending on the count of yarn. Besides, the duty on certain specified items of textile machinery required for modernisation of mills has been reduced from 15 to 5 per cent. Also, the customs duty on certain specified machinery for garment, hosicry and woollen industries is being reduced to 35 per cent.

Going by the provisional production figures for the fiscal 1987-88-PFY 100,000 tonnes, PSF 75,000/80,000 tonnes, nylon yarn 36,000 tonnes, acrylic yarn 23,000 tonnes, viscose staple fibre 110,000 tonnes of which about 40,000 used for blending with cotton will qualify for duty relief-the duty relief for the man-made fibres/yarn industry works out to around Rs 491 crore. The concession for cotton yarn (Rs 25 crore) raises the total excise relief for the cotton textile industry to around Rs 516 crore. The union finance ministry could not possibly be unaware of the production of man-made fibres/yarn. Even so, it has estimated the revenue effect

of these excise concessions at Rs 274,26 crore inclusive of Rs 25 crore under cotton yarn. The memorandum explaining the provisions in the finance bill contains a cfarification (page 30) that "the revenue effect has been calculated taking into account the increase in production of fibres, varns and man-made fabrics consequent to the concessions granted and resultant additional revenue". This clarification—unusual and altogether extraordinary in nature-cannot carry much conviction as it cannot satisfactorify explain the wide difference in the quantum of relief assumed in the budget and that based on actual production figures. It seems quite unlikely that the production of man-made fibres/yarn/fabries would register the kind of increase needed to justify the assumed net revenue effect.

Seldom has any industry been known to have received in any budget the kind of special and generous treatment that the man-made fibre sector of the textile industry has been accorded by N D Tiwari, But it would be uncharitable to accuse the finance minister of showing undue favours. The budget proposals reflect the finance minister's widely shared deep concern for the deteriorating plight of the industry which has had to contend with mounting stocks of fibres/yarn and huge idle capacity, while the demand for manmade fibres/yarn has been affected in no small measure by exorbitant prices bloated fargely by the heavy incidence of excise levies on fibre/yarn and customs duty on basic raw materials going into their manufacture and the availability of cheap synthetic fabrics through smuggling has also had its impact, the malaise afflicting the man-made fibre industry is deeply rooted in the creation of huge capacity totally unrefated to the increase in effective demand.

The reduction in excise levies on manmade fibres/yarn is a step in the right direction. It has, in fact, been long overdue. The new textile policy announced in June 1985 had stipulated that "fiscal levies on man-made fibres/yarn, and on the intermediates used as inputs for the production of such fibres/yarn, shall be progressively reduced in such a manner as to facilitate absorption of increased domestic production so that the benefit flows to the consumer in the form of lower prices of synthetic and blended fabrics". There can be no sound reason why excise duties should be allowed to hinder demand when the industry is nursing huge idle capacity. The textile policy lays considerable stress on adequate availability of man-made fibres/yarn at reasonable prices and full fibre flexibility between cotton and manmade fibres/yarn.

The main assumption behind the excise duty relief is that lower prices will stimulate demand/consumption which in turn will lead to fuller utilisation of installed capacity and thereby improve the industry's fortunes. The finance minister has made it abundantly clear that he expects and "shall insist upon entire relief being passed on in the form of lower prices". With supply far in excess of demand and manufacturers burdened with large unsold stocks, all the leading manufacturers of man-made fibres/yarn and the concerned associations have been quick to respond to Tiwari's call for passing on the entire concession to customers. How long the manufacturers will continue to abide by the necessary discipline, time alone can tell. For much will depend on how the forces behind demand and supply operate. Few can have any illusions about industry's concern for the consumer as also about the willingness/ability of administrative ministries concerned to monitor the behaviour of prices and to enforce requisite discipline. Whether the proposed excise relief will prove adequate to boost demand to absorb all the production is difficult to predict. But it will certainly improve the outlook for the man-made fibre industry. If shares of companies engaged in the manufacture of man-made fibres/yarn-Reliance and Orkay, to name two-have not responded to the relief proposed in the budget it is not because the relief is considered to be of little consequence but because the managements of these companies have of late been inclined to keep a low profile for one reason or another.

What has the chairman of the Indian Cotton Mills' Federation, S K Modi to say about the fiscal package for the textile industry? The ICMF chief has stated that "with the concessions offered in the union budget, the textile industry looks forward to a progressive role in meeting the clothing needs of the growing population. The reduction in the excise duties on polyester staple fibre, polyester filament yarn and viscose staple fibre for blending with cotton, should not only act as a strong restraint on smuggling of textiles but enable mills to migrate to man-mades and lessen the pressure on cotton supplies. The excise duty relief on sophisticated indigenously manutactured textile machines would help the process of modernisation at a faster pace."

Modi's reaction to Tiwari's budget has the semblance of a subtle PR exercise; it is too sweeping an assessment of the likely impact of the proposed fiscal package. It is hard to believe that he ICMF chief has spoken on behalf of the entire textile industry comprising cotton and manmade fibre sectors as also the organised and decentralised sectors. The organised mill sector and the decentralised sector have seldom been kindly disposed towards each other. And nor has the cotton mill industry been known to have taken kindly to the goings-on in the man-made fibre industry.

Undoubtedly, textile industry is the major beneficiary of the excise duty concessions. But 91 per cent of the excise relief to the textile industry is accounted for by the man-made fibre sector. Only half of the composite mills are engaged in the manufacture of blended/mixed fabrics which account for less than a third (27/28 per cent) of the total mill cloth output. Going by its raw material consumption basket, the share of the organised mill sector in the total excise relief works out to around one-third and that too if manufacturers of man-made fibres and yarn pass on the entire relief to the user industry. It should be obvious enough that it is decentralised sector which stands to benefit the most through the supply of man-made fibres/yarn at lower prices as a sequel to the reduction in excise duties. This will further strengthen its competitive position vis-a-vis mills. In finance minister's own words, excise relief would help "revitalise the powerloom sector which is facing problems of underutilisation of capacity and consequent problems of unemployment".

The reduction in excise levies should bring about an increase in the production of synthetic fibres. However, in view of the marked difference in the prices of cotton and polyester filament/staple fibre, the migration to man-mades is unlikely to be large enough to make any significant impact on the pressure on cotton. The decline in cotton prices over the past few weeks is due less to the prospect of easier availability of man-made fibres/yarn at lower prices than to reports that the government has taken a policy decision to import cotton and that official announcement is only a question of time.

In conclusion, one could say that fiscal injections, no matter how carefully prescribed and administered, cannot by themselves restore the vitality to the ailing cotton mill industry. For the malady afflicting this sector is firmly rooted in structural and management deficiencies.

### TWENTY YEARS AGO

EPW, March 23, 1968

The perils of basing the international monetary system on the yellow metal were sharply manifest in the last few days, which saw the breakdown of what is in effect a gold exchange standard, operating with dollar and sterling as equivalents of gold . . . The emergency deal struck in Washington between the Gold Pool members has staved off disaster by allowing dual prices for gold. \$ 35 for transactions between central banks and a free price that might range between \$ 38 and \$ 40... The rescue operations will induce recession in both UK and US, which would affect the quantum of aid to developing countries. This would not be an unmitigated disaster in the long run-the developing countries would be forced into greater self-reliance and US and UK would be compelled to increase their productivity and to quote more competitive prices-but the likely impact on exports from developing countries might be intrinsically more serious and damaging.

\* \* \*

Any lingering doubt that social control was a phrase thought up by the finance minister's clever advisers to counter the demand for nationalisation of banks must have been set at rest by the proceedings at the first meeting of the National Credit Council last Saturday... The proceedings of the first meeting of the Council in Bombay on Saturday last ran entirely true 10 this pattern and would have deserved little notice but for two things. First was the studied attempt by the finance minister, the council's chairman, to further whittle down the idea that social control involves regulation of allocation of bank credit... The other point noteworthy about the Credit Council's first meeting was the assertion by the Reserve Bank of its superior position. The governor of the bank set the tasks for the meeting with a polite "the Council may wish to discuss the following issues..."

So mid-term elections, after an appropriate spell of president's rule, are a certainty in Bihar. Immediately after the general elections a number of political analysts had shared the belief that a round of mid-term elections would somehow restore to order the crazy-quilt patterns yielded by the general elections in many states. Unfortunately, there has been very little in the attitudes of both the Congress and the other parties to indicate that this expectation will be realised in the states which are now headed for fresh elections... That being so, the Congress's claim to being able to provide stable governments in states like Bihar or West Bengal are as baseless as those of the scattered opposition. The prospect is, therefore, of the elections being followed by a repetition of the cycle of events witnessed since the general elections.

### **STATISTICS** Variation (per cent) Over Over Over Index Numbers of Wholesale Prices Latest (1970-71 100) Weight Week Last Last March าก In ln 85-86 1 1 84-85 83-84 (27-2-88)Month Year 28, 1987 86-87 9.3 9.6 5.8 9.5 7.1 All Commodities 1000 413.5 0.2 12.2 9.0 5.7 11.0 Primary Articles 417 389.2 0.4 134 2.1 4.8 7.9 Food Articles 298 372.2 0.1 10.9 7.2 6.4 13.5 397.7 1.7 23,8 24.4 6.7 10.3 2.3 15.1 Non-food Articles 106 Fuel, Power, Light and Lubricants 6.2 11.9 2.6 7.6 664 9 0.3 85 499 8.2 8.0 4.7 6.0 8.7 Manufactured Products 391.1 0.1 7.2 . Variation (per cent) Över Över Over Cost of Living Index 1 atest 1n Rase Month 126. Last March 1n ln 1n 86-87 84-85 83-84 1987 85-86 Month Year 9.5 9 8 64 12.6 1960 100 0.1 8.7 6.5 For Industrial Workers 12811 79 For Urban Non-Manual Employees 1984 85 -- 100 94 9.4 7.3 81 10.3 65412 For Agricultural Labourers fuly 60 to - 0.2 13.0 14.1 4.8 48 0.2 11.4 June 61 Variation (per cent in brackers) Över Money and Banking Over Over Latest Unit Week Lası Last Maich 1n 86-87 85-86 27, 1987 84-85 83 84 (26 2 1988) Month Year 16.058 13,031 772 21,822 19.652 21.627 14,423 Money Supply (M<sub>1</sub>) Rs croie 1,60,285 (17.9)(13.9) 6,555 (18.7)(0.5)(15.8)(14.0)(18.3)12.822 8,445 5.757 Net Hank Credit to Government Sector Rs crore 83,971 319 12,603 12.673 10,809 10,576 8,830 Bank Credit to Commercial Sector 1,01,302 396 9,765 8,156 10,963 Rs crore 1,251 16,723 Net Foreign Exch Assets of Banking Sector Rs ciore 4,311 216 - 201 414 13 1.419 104 13,160 8,550 1,20,430 16,036 17,686 11,519 Deposit of Scheduled Commercial Banks Rs croie 3,374 (15.4)(29)(17.2) (19.6)(18.2)(19.0)(16.4)952 - 1,567 604 197 1,319 1,233 6,051 - 360 Foreign Exchange Assets\*\* Rs crore (0.8)(240)(28.9)(8.6)Index Numbers of Industrial Weights Average of Latest Months\* Variation (per cent) Production Month ln (1970 -- 100) 1n ln ไก ln 1985 \* \* 1986 : : 1986 1985 1984 1983 1982 222.0<sup>10</sup> 100.00 217.5 66 4.2 4.5 General Index 2014.4 61 6.4 288.7 10 235.1 10 8.0 250.9 8.7 10.8 5.5 33.23 272.6 7.7 Basic Industries 224.1 53 0.9 14.98 231.0 7.1 3.1 6.6 Capital Goods Industries 187 l 10 179 2 6.8 1.9 21.33 187.7 6.0 4.7 6.1 Intermediate Goods Industries 174 4<sup>10</sup> 173.1 161.9 5.3 6.9 2.6 0.6 58 Consumer Goods Industries 30.46 303.110 Durable Goods 3.81 286.7 246.3 14.0 17.4 17.8 10 3.6 156.010 26.65 156.9 150.1 3.4 4.5 0.2 0.5 6.5 Non-Durable Goods Foreign Trade Unu Latest Cumulative for\* Month 1984-85 1983-84 1982-83 1987-88 1986-87 1986-87 1985-86 (Dec 87) 12,550 :1,012 11,855 9,872 8,908 1,234 11,197 9,076 Rs crore Exports (20.0)(10.8)(14.2)(14.0)(~7.1)20,063 19,766 14,356 1,886 16,111 14,189 17,173 15,763 Rs crore Imports (1.5)(15.1)(8.9)(9.8)(5.0)-4,914 -7.513- 8.754 - 3,318 - 5,891 -5.448 ~ 5,113 -- 652 Balance of Trade Rs crore **Employment Exchange Statistics** Unii Latest Cumulative for\* Month 1986 1985 1984 1983 1982 (July 87) 1987 1986 19,753 30,131 26,270 24,861 23.034 Thousand 27,259 27,259 28,442 Number of Applicants on Live Registers (10.9)(6.0)(7.9)(16.6)(10.7)(as at end of period) 3,091 3,170 5,473 5,824 6,220 6,756 5,862 Thousand 335 Number of Registrations (-6.0)(-6.4)(-8.0)(15.3)(-6.6)683 707 827 820 Thousand 56 373 354 616 Number of Vacancies Notified (-10.0)(-3.4)(-15.5)(0.9)(-8:4)216 388 407 486 474 35 215 356 Thousand Number of Placements (-6.1)(-4.7)(-16.3)(2.5)(-8.2)1984-85# 1983-844 1982-83# 1981-82# 1980-81 1979-804 Unit 1986-87 \*\* 1985-86 \*\* Income

Rs crore

Rs crore

Rupces

2,60,584

1,62,326

2,975

\*\* Excluding gold and SDRs.

Per Capita Income (1980-81 prices)

Gross Domestic Product (current prices)

Gross Domestic Product (1980-81 prices)

+ + Provisional data.

2,33,305

1,56,083

2,721

1,90,888

61,838 775 1,72,704

59,541

1,45,961

55,068

1,30,770

53,470

720

1,22,226

1,22,226

1.627

95,358

47,191

<sup>\*</sup> For current year upto latest month for which data are available and for corresponding period of last year.

<sup>+</sup> Upto latest month for which data are available.

<sup>@</sup> Relate to 1970-71 prices.

Notes: (1) Superscript numeral denotes month to which figure relates, e.g., superscript indicates that the figure is for January and so on. (2) Figures in brackets denote percentage variation over previous period.

### PREMIER TYRES

### Rehabilitation Scheme

PREMIER TYRES has shown a small improvement in its working during 1986-87 with increase in production of tyres from previous year's 99,477 to 1,10,075 and in sales from Rs 19.84 crore to Rs 23.73 crore. The year's outcome was a lower trading loss of Rs 4.86 crore against Rs 6.56 crore previously. With the fresh loss, accumulated deficit has mounted up to Rs 32.56 crore to stand against share capital of Rs 2.15 crore and reserves of Rs 50 lakh.

Production and sales in the first half of the year were restricted due to acute shortage of working capital. The expected inflow of finance commenced in April and continued till September 1987, with the result that production and sales for the quarter July/September 1987, showed remarkable improvement over the previous three quarters. Almost 50 per cent of production and sales for the whole year were achieved only in the last quarter. Industrial relations during the year were fairly satisfactory. The long-term agreement with the labour has expired and negotiations for a fresh agreement are in progress. Since then, though there have been some instances of labour unrest, the management is hopeful of getting co-operation from the labour in reaching an agreement in view of the extremely critical period the company has gone through in the recent past.

As required by law, the necessary reference in Form 'A' was made to the Board for Industrial Finance and Reconstruction, (BIFR). During the hearing, the company explained in detail the rehabilitation measures under implementation with the help of the financial institutions, Banks and the government of Kerala. BIFR directed that the special director be appointed on the Board of Directors of the company. Accordingly, M A Pandit has been appointed with

The Week's Companies

(Rs Lakh)

		Premie	r Tyres	Garward	Nylons	Kirloskar I	Pneumatics
		Laiest Year 30-9-87	Lasi Year 30-9-86	1.atest Year 31-8-87	Last Year 31-8 86	Latest Year 30-9-87	1 asi Yeat 30-9-86
Paid-up Capital		215	215	972	972	385	385
Reserves		50	50	4696	4891	336	345
Borrowings		4162	3145	7485	5562	2466	2599
of which Term borrow	ings	1216	875	4292	2585	1097	1165
Gross fixed assets		1477	1437	1032t	10296	3227	34tt
Net fixed assets		497	544	11622	8608	1376	1703
Investments		_	1	182	222	37	36
Current liabilities		676	562	2323	1114	2694	3039
Current assets		1350	663	3673	3709	4469	4630
Stocks		578	322	2068	1762	1651	1927
Book debis		538	145	1075	1271	2466	2352
Net sales		2373	1984	6552	6421	6380	5499
Other income		39	12	78	276	277	227
Raw material costs		1463	1243	2977	2609	2899	2547
Wages		509	488	437	456	1010	1084
Interest		422	506	1034	717	458	428
Gross profit (+)/loss (-	)	- 404	- 579	532	470	277	148
Depreciation provision		82	77	42t	330	189	143
Tax provision		_	_	_		17	
Net profit (+)/loss (-)		486	-656	111	140	71	5
Investment allowance res	erve			_		_	2
Transfer to reserves			_			23	_
Dividend							
Amouni	P		_				_
	E	_		146	146	48	
Rate (per cent)	P	-			_	_	
	E	_	_	15	15	12.50	
Cover (times)		_	_	0.76	0.96	1.48	
Ratios (per cent)							
Gross profit/sales			_	8.12	7.32	4,34	2.69
Net profit/capital employ	yed			4.82	5.99	9.84	0.68
Inventories/sales		24.35	16.23	31.56	27.49	25.87	35.04
Wages/sales		21.45	24.60	6.67	7.10	15.83	19.71

effect from January 21 last.

The company offered 1,07,500 'rights' equity shares to existing shareholders on a one-for-two basis. Against this, 37,329 shares were allotted as 'rights' and 70,171 shares were allotted/teserved on private placement basis to/for individuals, financial institutions and Kerala government.

### GARWARE NYLONS

### **Expansion Programme**

GARWARE NYLONS is keeping dividend unchanged at 15 per cent for 1986-87, but the distribution is again short-earned. Net sales amounted to Rs 65.52 crore against Rs 64.21 crore in the previous year and gross profit increased from Rs 4.70 crore to Rs 5.32 crore, reflecting increased gross margins. With depreciation claiming more, however, the position reversed and net profit turned out to be lower at Rs 1.11 crore against Rs 1.40 crore previously. The shortfall is made up with the help of the surplus of Rs 1.14 crore brought forward from 1985-86.

Total production increased by 10.5 per cent from previous year's 6,900 tonnes to 7,624 tonnes. The directors say that the trend in escalation in costs of inputs and finance charges without proportionate increase in sales realisation with consequent pressure on operating margins continued further throughout the year. The company's export amounted to Rs 3.36 crore against Rs 3,40 crore in the previous year.

The company's expansion programme pertaining to nylon filament yarn has been commissioned raising capacity to 6.228 TPA. The nylon industrial yarn tyre cord plant has gone into production. The implementation of polyester filament yara expansion programme to increase the capacity from 1,710 to 3,500 TPA is ander active consideration. The company applied under the government's broad banding scheine, and its application has been approved. The company has now a consolidated licence for 11,728 TPA for synthetic filament yarn (including industrial yarn/tyre cord). This enables the company to operate with a considerable degree of flexibility.

### KIRLOSKAR PNEUMATIC Higher Margins

KIRLOSKAR PNEUMATIC has fared well during 1986-87. Sales, profits as well as margins are all higher compared to the previous year. The directors have recom-

mended payment of a dividend of 12.5 per cent; last year no payment could be made because of inadequacy of profits. Turnover is Rs 63.80 crore against Rs 54.99 crore in the preceding year and gross profit is Rs 2.77 crore against Rs 1.48 crore. Although provision for depreciation has absorbed more, there is a net profit of Rs 71 lakh compared to Rs 5 lakh of 1985-86. The proposed distribution is covered 1.48 times by earnings. A new wage agreement covering the period from 1st July 1987 to 30 September 1990 was satisfactorily concluded between the company and Kirloskar Pneumatic Kamgar Sangh in December 1987.

### LARSEN AND TOUBRO Impressive Results

LARSEN and TOUBRO, after impressive results for 1986-87, is looking alread to further progress in the current year. At the annual general meeting, N M Desai, chairman and president, told shareholders that during the first five months the company's sales amounted to Rs 226 crore against Rs 191 crore for the same period last year and value of orders booked was Rs 411 crore against Rs 222 crore. As at the end of February last, backlog of orders stood at Rs 781 crore as against Rs 479 crore a year ago.

Referring to the performance of the cement division, he said the company's

production in the five-month period had been 6 lakh tonnes and sales amounted to Rs 42.25 crore as against 9.66 lakh tonnes and Rs 72.70 crore, respectively, in the previous full year. The company's second plant had commenced commercial production in October last The company's product continued to fetch a premium of 5 per cent in the market on account of its high quality. In regard to the shipping division, he said the company's fleet of 5 ships was firmly committed for the next 6 to 9 months and was generating cash profit. A substantial improvement was expected in the current year. In comparison to 1986, the world bulk carrier fleet had decreased by 4.5 million DWT and further reduction during the next three years was forecast. Freight rates were currently more than 100 per cent higher than in 1986.

### STATE BANK IPCL Bonds

STATE BANK OF INDIA is coming out with an offer for sale of 6,35,000 IPC1, bonds aggregating Rs 63.5 crore. The bonds were initially issued and allored to the State Bank by way of private placement on the condition that the bank would then offer them for sale to the public. The 13 per cent secured redeemable non-convertible bonds are the second of a planned series of issues, aimed at generating finance for IPC1's expansion

programmes (The first issue of bonds of Rs 40 crore was subscribed to the extent of Rs 96 crore), primarily the setting up of a massive petrochemicals complex based on gas cracking—the Maharashtra Gas Cracker Complex. When completed, the MGCC will produce 80,000 mta of LDPE; 1,35,000 mta of HDPE/LLDPE; 50,000 mta of ethylene glycol; 5,000 mta of ethylene oxide; 60,000 mta of polypropylene and 1,700 mta of acetylene black. The project was cleared by the government after careful evaluation of the estimated market demand. MGCC will cost about Rs 1,370 crorc and it is expected that the project will earn adequate returns.

The bonds being offered for sale are in the denomination of Rs 1,000 each. Redeemable at par in April 1995, the bonds carry 13 per cent interest and are secured against the assets of the company. They carry wealth tax exemption and deduction under Section 80L (1TA). Bondholders are entitled to a choice of two interest schemes-the cumulative interest scheme and the non-cumulative interest scheme. The bonds which carry a host of tax benefits can be casily transferred. Liquidity is ensured by the facility for trading at State Bank secondary marketing counters as well as listing on major stock exchanges. IPCL also offers a buy-back scheme. The application list for the offer will open on March 24, 1988 and close on March 31, 1988.



### **Budget as a Political Statement**

Bhabani Sen Gupta

As a political document, the union budget for 1988-89 has two central messages. First, the ruling party is making a determined effort to gain back the electoral support of the middle peasantry. Second, the party will aggressively confront the opposition-ruled states in a bid to wean away from the opposition parties large segments of their supporters for the Lok Sabha elections.

INDIAN budgets tend to be increasingly less and less documents reflecting the state of the economy. The central government is the people; the budget reflects its needs. A finance minister is a legally authorised pick-pocket or robber. Voltaire defined the art of the government as far back as 1764 as "taking as much money as possible from one set of the citizens to give to the other".

It is interesting that even economists have read the central government budget of 1988-89 more as a political statement than as a document outlining the fiscal health of the economy. Press reactions have generally identified the budget as 'populist' and 'election oriented'. Its central message seems to be: well, keep yourself ready for a snap poll in the late autumn of 1988

Not being an economist, this analysi is professionally incompetent to pronounce on the fiscal and economic aspects of the budget. From what he has read in the thin print of the newspapers and periodicals, he has allowed himself to be convinced that there isn't much economic policy beet in Narayan Dutt Tiwari's first budget which may also turn out to be his last. In any case, for the last few years, no annual hudget covers an entire year. It runs out of steam in four or five months. The central government, with its unlimited constitutional power to raise resources, imposes fresh levies and taxes outside the budget. It snaps supplementary budget demands in the face of parliament. You do not have to load your budget with killer taxation measures if you can get away with imposing killer levies and price hikes one or two months before the budget. Democracy's delicate, subtle, sensitive norms have been despatched to cold storage. Only its outer form survives. The word for it is election.

Election is very much in the mind of prime minister Rajiv Gandhi. And also of all politicians of all political parties. And also of the few million Indians who watch the political scene more than casually. The life of Rajiv Gandhi's government expires in December 1989—21 months from now or 63Q days. Like all prime ministers of parliamentary democracies, he will watch out for the most favourable time to go back to the people. He will also take all conceivable measures to ensure that his party is back in power with himself as its pilot.

He won't mind if some of these measures violate the tender sensitive nerves of demo-

cracy. As in love and war, so in election, nothing is unfair in India if it does not frontally assault the letters of the constitution.

Last year, Margaret Thatcher surprised her countrymen by calling for a snap poll in June even when her government had nearly two years more of legitimate life. She gave her rivals just three weeks of campaign time. And just that much time to the voters to make up their mind. Her decision, which was of course entirely her own, was triggered by the surprisingly good results the Tory party harvested in the local elections and a spring tide in the economy, pushing unemployment figures down to less than three million. She was also encouraged by the certainty of the anti- fory votes being split between Labour and the Alliance of the Social Democracts and the Liberals. To ensure victory, Margaret Thatcher paid a highly publicised and successful visit to Moscow where she struck an 1-can-do-business-withhim relationship with Mikhail Gorbachev. The irony of the fact that Margaret Thatcher needed, or thought she needed, good relations with Gorbachev to wean away segments of the electorate that had identified her as an unquestioning ally of Ronald Reagan was not lost on the Britons amongst whose great qualities as a nation is that even in their fateful decline as a world power, they have kept their sense of humour alive and stinglessly biting.

Here, in this country, people have been sniffing around for the wispiest scents of an upturn in the political fortunes of Rajiv Gandhi and his party. They have not been able to pick up much. Prannoy Roy's discovery that an overwhelming victory awaits Rajiv Gandhi if he went to the polls about this time came as a much-needed message of hope at the right time. The prime minister determined to restore his can-do image. He fired three chief ministers in the crucial Hindi-speaking belt. Reshuffled his cabinet, which affected as many as 13 ministers, and gave an overload of representation in the new council of ministers to men and women from the north. The first madein-India surface-to-surface missile was successfully test-fired placing India once again in the company of great military powers, soon after this was done by the acquisition of a nuclear submarine from the USSR on lease (part of a reported deal to buy three in the coming years). He summoned Pakistan's General Zia-ul Haq to Delhi for

talks on the Afghan issue with the apparent approval of Moscow and Washington: another boost to India's image as an emergent major power under the leadership of Rajiv Gandhi. He called a session of the All-India Congress(i) Committee in Madras for March evidently to proclaim an iron bid by his party to capture political power in the next election in Tamil Nadu either on its own or in coalition with the Jayalalitha faction of the AlADMK.

And then came the budget of 1988-89 which, according to persistent rumours in political circles in Delhi, was written more in the prime minister's office than in the finance ministry.

The budget therefore was not Pooh's Grand Thoughts about Nothing. As an economic document, it can't be all that bad when it is sharply attacked by Nani Palkhivala, can it? However, the question is not whether it is not a bad budget but whether it is a good one. Not even the government economists showed much enthusiasm for it as a fine-grained fiscal and economic document aimed at navigating the country through the medium- and long-term difficulties that are described by optimists as tough and by pessimists as perilous.

As a political document, the budget had two central messages. First, the ruling party must make a determined effort to gain back the electoral support of the middle peasantry that seems to have emerged as a strong, horizontal new political force most mobilised in the Congress-held India stretching from Uttar Piadesh in the north to Maharashtra in the west. Second, the ruling party must aggressively confront the opposition-ruled governments in a determined bid to wean away from the opposition parties large segments of their supporters for Lok Sabha elections.

In the text of the budget statement, four groups of Indians get special mention: the middle peasants, workers in the public sector, jawans, and NRIs; a separate paragraph is devoted to acknowledge the contributions non-resident Indians are supposed to be making to the country's growth and development. NRIs, however, are hardly votecatchers, though they do help Rajiv Gandhi overcome his image as a wooer of multinationals and other foreign exporters of capital. The budget is also an attempt to get him out of the binds of his other image as standard-bearer of the affluent middle class. The 80 million buyers of consumer durables are not totally denied benefits. They should be able to buy at least stainless steel utensils somewhat cheaply, and although they will pay a little more for colour television sets and air conditioners, their income 12X remains more or less stable. A good pornon of these 80 million, however, are alienated from Rajiv Gandhi for one reason or another. In any ease, they are no longer the reliable constituency that they were in 1985-86. That's one reason why election to the Delhi Metropotitan Council had to be postponed. The reliefs given to the middle class will probably be wiped out by inflation which has crossed the danger point of ten per cent per annum.

It is the middle peasantry who get most of the benefits bestowed by the budget. For the better-off peasant, fertiliser will be cheaper, 170 districts will receive additional investment to achieve a supergreen revolution. The well-off farmers will also siphon off most of the provisions made for rural housing and supply of household electricity. Rural employment schemes too are likely to benefit the richer farmer far more than the poor. In short, agriculture which already runs at a loss of Rs 2,000 crore, will be further subsidised, and of course there is no tax on agricultural income.

The question is whether these incentives and benefits will wean the middle peasants back to the fold of the ruling party. The farmers from Uttar Pradesh to Maliarashtra are demanding for their produce prices which the government is not willing to pay except under strong duress. If the wheat growers are given some satisfaction, the paddy growers feel deprived, and so is the matter with growers of cotton, groundilut, pulses and other crops. The tarmers' movements are getting increasingly politicised; they have probably reached a stage when measured doses of monetary palliatives cannot work wonders. The government is yet to come out with a comprehensive rural economic policy that would cater to the basic needs of the entire rural population. The tendency is to distribute scattered largesse, throw crumbs at different segments of the rural population, which wither away as a result of rising prices, inflation and pervasive failure of the delivery systems.

It is not the central government but the governments in the states that are better equipped to meet the needs of the rural folk. However, Rajiv Gandhi seems to believe that the centre alone should distribute favours and the instrument to be used for so doing is the budget. The budget therefore encroaches substantially on areas that should normally be the preserve of the state governments. If the centre sets apart Rs 100 crore for rural housing, the state governments are that much denied funds for a programme which they alone can effectively implement. The galling fact for the prime minister is that in housing, and other related matters, the states governed by the opposition parties are doing much better than those still under Congress(1) rule. Which Congress(1) ruled state has matched the rural housing programmes of Karnataka and Andhra Pradesh? The prime minister's technology missions adviser, Satyen Pitroda, has acknowledged that West Bengal is the only state where, thanks to panchayat system, development planning has reached down to the village level and is worked out with massive participation of the rural people, most of them non-rich. Rajiv Gandhi wrote to the chief ministers well over a year ago urging that panchayat elections be completed without delay: the letters were meant actually for the chief ministers of Congress(1) ruled states. Nothing happened. Now two weeks ago, the Congress(I) working committee had to issue yet another appeal to the chief ministers to apold panchayat elections. The unfortunate reality is that the Congress(I) governments have made themselves captives of the power brokers in the rural areas; they have neither the courage nor indeed the mechanisms to demolish the fortress of the traditional rural chieftains, landlords, moneylenders, traders and middlemen.

For electoral reasons, the Congress(1) leadership appears to have determined to wage a multi-pronged offensive against the opposition regimes in the states. The state Congress(1) leaderships have been asked to be increasingly, even recklessly, aggressive. Thus, P R Das Munshi can suggest to the governor of West Bengal that the Left Front government be dismissed because the Front is not as cohesive as it should be, that its junior partners have charged the CPI(M) with winning the panehayat election by vividly unfair means. Das Munshi forgot that the CPI(M), on its own, enjoys an absolute majority in the state legislature and can run the government without its partners' support. Vengal Rao does not hesitate to accuse N T Rama Rao of being one of the unnamed persons who are said to have offered to spend Rs 30-40 crore to liclp Giani Zail Singh win the presidential contest last summer, even when the former president made it clear that the persons he had in mind but did not name did not include any chief minister, none even from the Congress(1) ruled states. Rajiv Gandhi himself declared the entire state of Tripura a disturbed area and handed it over to the armed police of the centre just on the eve of the election, which enabled him to snatch away the troubled little state from the jaws of the CPI(M) by a single seat. A systematic campaign of disinformation against the opposition-run states seems to be part of the ruling party's election-winning strategy.

Except for scattered mention of a social security scheme covering the country's absolute poor, the budget has very little to offer the mass of rural poor. Whatever little there is will be mostly siphoned off before it can reach the target people. On the other hand, the budget has promised pensions for working journalists. It is typical of the Indian fourth estate that hardly any voice has been raised against this blatant attempt to bribe the journalists. It should be the obligation of the owners of newspapers and journals to create pensions for their employees, both journalists and non-journalists. The government should be the last to subsidise this kind of a scheme, and if the journalists are worth their salt, they should reject the idea with the contempt it deserves.

It is idle to claim that such largesse does not amputate the journalist's freedom to report the truth, the whole truth and nothing but the truth. By and large, the positive measures adopted in this opposition-ruled states are not adequately reported in what is generously called in India as the "national press". There has been very sketchy reporting in the press as a whole of the Karnataka government's bills to enlarge freedom of the press, allow journalists and others legal access to a lot of information and to codify the privileges of the members of the state legislature. The Karnataka efforts are in sharp contrast with the centre's systematic attempts to deny information and retrench freedom of the press and its failure in 36 years to codify the privileges of members of parliament. The Andhra Pradesh bill proposing state funding for local election also received marginal attention in the so-called national press. How many newspapers have carried the Satyen Pitroda team's report on grassroot developmental planning through the panchayats in West Bengal? With a few exceptions, the free press in India give much greater coverage to the central government than to the opposition-ruled states. The latter are denied access to the radio and television.

The grax of the matter is that neither the prime minister, nor his party leaders, nor indeed the majority of the national elite have accepted as irreversible the passing of the Congress Party's hegemony in Indian politics. Even though practically one-half of the country is under the rule of the opposition parties, including the entire peninsula and much of the coastal regions, the basic assumption is that the Congress alone is entitled to govern the republic. This assumption is tremulously cushioned on the ruling party's massive majority in parliament. Rajiv Gandhi apparently refuses to recognise the generational change that is invading the Indian political process. He does not see himself as prime minister of a country governed by several political parties. He refuses to accept the opposition as a legitimate partner in democratic government. Hence the cavalier manner in which he treats the opposition chief minister and governments most of the time; hence his stubborn resistance to devolution and decentralisation of power and resources; hence he can take important decisions like dissolving the Punjab assembly and keeping the state under prolonged central rule even by amending the constitution without even a pretence of consultation with leaders of the opposition. For Rajiv Gandhi, the opposition demands confrontation not co-operation; the opposition parties are abberrations rather than norms of Indian democracy.

It is with this spirit of confrontation, of political war, that Rajiv Gandhi will fight the coming Lok Sabha poll. The budget is only a signal of that not-too-far-away battle for the ballot. But Rajiv Gandhi cannot be certain that his party will do very well. He may have made a political blunder by banishing Harideo Joshi to the political wilderness of Rajasthan. Even the sympathy wave of 1984-85 did not bring Rajasthan under Congress(1) control decisively. In the next poll, it may well slip away from the hands of the ruling party. Uttar Pradesh and Bihar will not be easy to keep either. A vastly reduced majority in the Lok Sabha and theloss of a couple or more of states will convince Rajiv Gandhi-if he be still prime minister—that the Congress hegemony is over, that India requires a new style of democracy in which most of the political parties will be partners in government making for massive popular participation in the twin process of administration and development. It is very doubtful if in 1990-91 there will be a budget of the centre resembling the ones of 1987-88 and 1988-89.

# International Centre for Protection of Human Rights

A G Noorani

Planning strategy in human rights litigation and acquiring information about knotty problems are daunting tasks. An organisation like Interights i ... answer to a human rights lawyer's prayer.

INTERNATIONAL society evolved over centuries a body of rules governing relatious among its members. International law regulates inter-statal relations. We are now witnessing the growth of a new code altogether which affects individuals as well as states. It is international human rights law. Decades ago H Lauterpacht wrote his seminal work on an International Bill of Human Rights. The Universal Declaration of Human Rights (1949) gave a big impetus to the movement for such a bill. It was itself a reflection of the strength which the movement had acquired. The International Convention on Human Rights (1966) marked the next major step. A covenant on economic, social and cultural rights and another on civil and political rights with an optional protocol attached to the latter, enabling the Human Rights Committée it sets up to receive complaints from individuals are no small gains. In any case even if a state party to the covenant does not sign the protocol it has still to life reports before the committee and subject itself to close examination. Our attorney general, K Parasaran, knows through personal experience how close the examination can be.

It is a pity that the government of India does not still realise, when it drags its feet in the United Nations on international protection of human rights, that this country has given a lead to many countries in devising effective judicial enforcement of fundamental rights.

Pakistan's three constitutions—of 1956, 1962 and 1973—flattered ours by emulating its chapter on fundamental rights. The textual borrowings are no less apparent in other constitutions. In some respects, they have improved on our texts. The rulings of their courts are therefore of much help to us, those of the Supreme Court of Pakistan particularly. An Indian lawyer will be surprised and pleased to find a ruling of the high court of Trinidad and Tobago which is relevant to the issues he deals with. Nor is this all. The cases decided by the European Court of Human

Rights and the European Commission of Human Rights under the European Convention on Human Rights are highly relevant and no less so for the fact that the texts of our guarantees of fundamental rights and those of the European Convention differ. It is the approach and the analyses which matter, especially on issues like the scope of restrictions on rights in a democratic society.

Matters do not end here. There is also the Inter-American Court of Human Rights. And what of the rulings of the Federal Constitutional Court of West Germany? Especially on the autonomy and independence of broadcasting and television in a democracy?

The list is not complete yet. What of the precedence evolved by UN bodies on human rights? How on earth is one to keep pace with them? True there are some excellent studies. Theodor Meron's book Human Rights Law-Making in the United Nations (Oxford) is a line study of the methods by which three important human rights instruments are implemented—the conventions on the elimination of all forms of racial discrimination; on the elimination of all forms of discrimination against women; and the one on civil and political rights. While exposing their inadequacy Meron cites cases which arose under these conventions. Then there are compilations of instruments and cases. Paul Siegharts The International Law of Human Rights (Oxford) is of great value. JES Faucett's work The Application of the European Convention on Human Rights (Oxford) has just appeared in a second edition.

But, of course, none of these is a substitute for an up-to-date noter-up or index of international case law which one sorely needs whenever an issue of great importance comes up. It seems novel yet one discovers that somewhere in this wide world a court has ruled on the subject and ruled in favour of the citizen. How does one keep abreast of this fast growing body

of case law on international human rights?

Fortunately there exists an international centre for the legal protection of human, rights which provides such assistance. It is Interights at Kingsway Chambers, 46 Kingsway, London WC2B 6EN. It is truly a unique body. It is non-partisan; nonprofit making and is a registered charity. Interights advises individuals on legal rights and remedies under international human rights law. It assists lawyers in preparing the international legal aspects of their cases; in selected cases it provides legal representation before international fora. It does not intervene in domestic courts but assists lawyers who appear in those courts if issues of human rights are involved. Even judges are free to seek its advice and assistance.

Interights files amicus curiae briefs before international fora. It did so most notably in the Lingens' case before the European Court of Human Rights concerning the right of a journalist to criticise the then Austrian Chancellor Bruno Kreisky, Lingens' conviction for defamation in Austria was held by the European Court on Human Rights to be a breach of the European Convention's guarantee of the rights to freedom of speech. The brief filed by Interights contains a wealth of case law on the scope of the rights in such cases. Interights likewise took keen interest in the case concerning the rights of the employees of the government communications headquarters at Cheltenham in Britain to form a trade union. Unfortunately the European Commission decided against the applicants. Right now Interights is actively concerned in several death penalty cases from Jamaica before the UN Human Rights Committee.

Interights is an international network of lawyers. A lawyer in India, for instance, can seek its assistance on foreign law as well as render assistance on Indian or international human rights law. The chairman of its executive committee is Anthony Laster, Q C, famous for his writings on and his appearances in cases involving human rights. Its legal director is Susan Hulton who deals with requests for help. Interights publishes a quarterly bulletin and occasional reports on international human rights law and practice.

Knowledge is power. Planning strategy in human rights litigation and acquiring information about knotty problems are daunting tasks. An organisation like Interights is an answer to a human rights lawyer's prayer. If it did not exist it would have had to be invented.

# Khadi Spinning: Whom Does It Benefit?

Frances Sinha

The recent publicity concerning conditions of work in the khadi sector has arisen from casual handling of statistical averages, on the one hand, and from a somewhat rosy scenario of optimal employment, on the other. A more realistic view suggests that the effort of this heavily subsidised sector needs to be directed not merely towards the maximisation of employment at remunerative rates but the provision of this employment to those who need it most.

THE conditions of work for women spinning in the khadi sector have received some publicity recently. A report by the Centre for Women's Development Studies cited daily earnings of 53 paise a day for spinning in 1987 as a particular instance of the exploitation of women in this employment. A response by D R Desai, secretary of a khadi voluntary organisation in Gujarat was published in Indian Express of January 8. This went some way toward countering such criticism in terms of the piece-rate nature of the work and the possibility of earning an income of over Rs 10 from eight hours' spinning. An independent study of the field situation suggests that the true picture lies between these two extremes and that a realistic assessment requires a consideration of the methods of working, of the utility of the employment created and of the viability of the khadi sector as a whole.

In this debate, the central issue of earnings from spinning is clouded by the use of averages and variations in the intensity of work. Since payment is piece-rate on the basis of the amount of yarn spun, earnings are dependent on productivity. Aggregate figures for 1983-84 compiled by the KVIC show that 6.6 lakh cotton spinners using the traditional charkha earned an average Rs 90 in that year. The 'daily' earnings for a 250-day year work out to 36 paise. As Desai rightly points out, this incredibly small amount is a reflection of the part-time nature of the activity undertaken by women working at home who combine this with other home-based work. The low productivity of the traditional charkha limits the returns to full-time (eight hours a day) spinning. The New Model Charkha (NMC) developed under the KV1C, with 6 or 12 spindles, has a productivity respectively 5 and 10 times greater. These charkhas have been installed in centres where spinners are expected to work up to eight hours a day. Desai's figures for his organisation indicate regular full-time NMC operation and earnings of more then Rs 10 a day. However, the conditions in Gujarat where the 12 spindle NMC has been quickly adopted and voluntary organisations have a reputation for efficiency, are not easily matched elsewhere. Thus, the 1983-84 data for all-India yield an average annual income of Rs 535 for over 2 lakh NMC spinners. This still represents very low 'daily' earnings of just over Rs 2. In fact the rate of production represents a very low capacity utilisation of less than or approximately 50 days' spinning.

This low rate of utilisation may be partly attributable to the common practice of khadi institutions of registering workers incrementally, i e, the names of those who discontinue spinning remain in the records. Apart from this, actual production depends on the stamina and dexterity of the spinner, the proper working of the charkha and the availability and quality of sliver for spinning.

Experience of khadi organisations suggests some considerable constraints on their ability to provide the necessary services. Processing units for the production of sliver usually work with discarded, second-hand mill machinery. Poor standards of operation, maintenance and repair lead to frequent breakdowns and idle capacity. This both limits the supplies of sliver and adversely affects its quality, which again affects spinning productivity.

There are also problems of the shortage of working capital caused by the accumulation of stocks of both yarn and cloth. The increase in yarn supplies following the introduction of NMC charkhas has resulted in a shortfall in weaving capacity. Weavers often complain of irregularity in hand-spun yarn, leading to frequent breaks during weaving. In order to attract weavers for khadi and offset lower productivity, the piece-rates offered are often higher than those prevailing in the handloom sector. This contributes to the

high production cost of khadi cloth which, largely because of the high cost of hand-spun yarn, is well above that of comparable handloom cloth.

The problems in marketing khadi cloth and the dependence on sale rebates are notorious. Increasing production is reflected in a smaller increase in sales and a much larger increase in stocks the value of which in 1983-84 represented as much as 80 per cent of the value of cotton cloth production in that year. It is the shortage of working capital which lies behind the practice of paying 20-50 per cent of earnings in the form of khadi material. And earnings are depressed by the need to limit production costs over a period when there have been substantial increases in the cost of raw materials. The rate charts, drawn up the KVIC for each state, are not revised on a regular annual basis and increases have in the past borne no relation to increases in the cost of living-necessitating a substantial correction in 1985. Not only spinning, however, but weaving and managerial overheads are also affected in the same way.

The role of the khadi organisations, as Desai points out, is not that of an employer. Effectively they fill the role which is common in the decentralised sector-that of the mahajan-providing the inputs and marketing the outputs. The dependency of the spinners arises from the fact that the khadi institutions are the sole buyers of hand-spun yarn, effectively holding a monopoly on charkha production. In contrast, khadi rates for weaving have at least to match rates prevailing in the handloom sector (where alternative sources of inputs and payment are available, albeit decreasingly). The allegation by the CWDS that weavers are usually men is essentially irrelevant. As Desai maintains, this is a reflection of societal norms. The male-dominated structure of khadi institutions and the KVIC itself, however, is far less acceptable.

Turning to the social utility of khadi spinning and the question of why women continue to spin despite apparently low earnings, field work by Economic Development Associates in Uttar Pradesh is instructive. The traditional charkha (with nearly 3 lakh spinners) predominates in UP and the ambar charkha is also extensively used. The author's research revealed that these are mostly to be found in middle or uppercalss homes. The mobility of women from such homes is strictly delimited by strong social convention. For women with effectively no opportunity for or access to activities outside the home, a few hours' spinning combined with other household chores, earning up to Rs 1 a day, reflects less any economic need than a desire to use spare time to obtain some independent income, without incurring male disapproval. The same class of women were found working in centres which had been opened for 6-spindle NMCs. Daily earnings of Rs 3-5 depending on the spinner's application and sliver availability was mostly regarded as a source of 'pocket money' or something to be saved for a daughter's (or one's own) wedding.

The adoption of the 12-spindle NMC in UP has been limited because of technical problems and the reluctance of the characteristically middle class clientelc of khadi spinners in this region to operate by treadle. Its introduction in Tamil Nadu on the other hand has attracted women from middle or backward caste families, able to earn up to Rs 9 a day although full-time employment was not provided on a regular basis. In the current environment of competition in the textile market. the KVIC is increasingly concerned to improve and rationalise the production and quality of sliver for spinning as well as the marketing of the final cloth. The efficient operation of the NMC enables a reduction in overall production costs whilst yielding a remunerative income to spinning. In areas where agricultural employment pays women less than Rs 6 a day and is only available for less than six months in the year, regular earnings even of Rs 5 a day could be highly significant for poor women.

Apparently, however, most khadi activity is not directed to providing employment to those with the greatest need. Apart from the difficulty in providing regular sliver supplies, conditions of work with many khadi institutions serve to deter women from the poorest socio-economic groups: an initial deposit of Rs 30 toward the cost of inputs; delayed payment of a proportion of earnings; payment in the form of cloth, and insistence on regular attendance including during harvest seasons. The pattern of installing units of a maximum of 25 charkhas to be worked full-time in order to cover overhead costs of building, instructor and machines results, in practice, in their establishment in larger villages and, often the encouragement of a class of women spinners who can work exclusively and make a profit for the centre. In both UP and Tamil Nadu a high proportion of spinners were found to be girls filling in the time between the completion of 4 or 5 years' education and marriage. There was only a minority of married women or widows whose economic condition required continued employment.

Whilst there may be limited social advantages in bringing together in a relatively public place women who would other-

wise remain in their homes, the objectives of income distribution are not being served. The effort of the khadi sector needs to be directed towards not merely the maximisation of employment at remunerative rates but the provision of this employment

to the poorest. The justification for the extensive financial support required for the existence and development of khadi should lie not merely in the numbers apparently served but in the utility of the service to those who need it most.

### **TDP Consolidates Rural Vote**

M Shatrugna

The zilla parishad and mandal parishad elections in the Ranga Reddy district have demonstrated that the NTR wave is as strong as ever in rural Telangana. As in the past, the backward castes have backed Telugu Desam to the hilt this time as well.

THE disastrous defeat of the Congress(1) in the recently held Ranga Reddy zilla praja parishad (ZPP) and mandal praja parishad (MPP) elections at the hands of Telugu Desam shows that the NTR wave continues to be strong in the Telangana rural belt. The Congress(I) lost not only the ZPP post but also 26 of the 32 MPPs. However, its relatively better performance in the municipal elections held simultaneously shows that the urban voter is having second thoughts about the TDP.

The loss of the ZPP in the R R district is a continuation of Congress(1)'s poor local body poll record set last year when the party was defeated in 18 out of 21 ZPPs and 720 out of 1,058 MPPs. Barring Krishna, Guntur and Kurnool districts, the Congress(1) was defeated in the rest of the state. The party was so hard pressed for people with a 'clean' image that it had to sponsor its sitting harijan MLA Masala Eranna in Kurnool. Things have not changed much for the party during the last one year.

Elections to the R R ZPP could not be held last year as there were many court cases against the elections. In the ZPP poll, the Congress(I) candidate, sitting Tandur MLA M Chandrasekhar, a former ZP chief, was defeated by a huge margin of about 58,000 votes by a relatively unknown TDP activist. With this, all the 9 ZPPs in Telangana have gone to the TDP. The fact that a sitting MLA was sponsored for the ZPP post showed the limitations the Congress(I) had in selecting a 'strong' candidate in the Telangana region. In the MPP polls also, the Congress(I) had to face humiliating defeat at the hands of the Telugu Desam, conceding 26 out of the 32 mandals. A mandal-wise analysis of the poll results shows that the TDP won the MPPs with wide margins in most cases. For instance in Shahabad, the margin was 9,605 votes. In contrast, the Congress(I) victories were none too impressive. For instance, its majority in Ghatkesar was just 928 votes, Qutubullapur 974 votes, Basheerabad 1,863 votes, Marpalli 1,972 votes and Yacharam 1,351

votes. In Vicarabad the margin was a mere 94 votes. The Congress(I) defeat is all the more significant as many writs against NTR are still pending in the courts and the resignation of TDP MP Chinta Mohan (Tirupati SC) from the Lok Sabha was still fresh in the minds of the Andhra electorate. Apart from the crude outbursts and impotent rage of PCC(I) chief Jalagam Vengal Rao against NTR which did not go down well with the common voter, many factors aided the victory of TDP in this crucial poll.

The R R district formed a decade ago by the then chief minister M Chenna Reddy (the district was named after K V Ranga Reddy, father-in-law of Chenna Reddy) has a total population of 15.82 lakh, including a rural population of 12.05 lakh (76.17 per cent). The backward class population of the district is 48.88 per cent-10 per cent more than the state average. As in the past, the BCs appeared to have backed NTR to the hilt this time also. Secondly, the TDP functioned as a well-knit party, almost like a cadre-based party, earning the respect of the electorate. In contrast the Congress(I) as usual was riven with intense factionalism. For instance, Sanathnagar MLA P Janardhan Reddy, in whose assembly constituency several MPPs fall, did not co-operate with the official nominees as his candidates were not given tickets. While many demoralised Telangana leaders did not show much interest in the elections, muscle-men like P Janardhan Reddy and V Hanumantha Rao had a field day. Thirdly, though Jalagam Vengal Rao spent a lot of time in electionecring, he could not establish a rapport with the rural electorate as he was viewed as a 'Delhi man' whose primary objective was to abuse NTR in a most indecorous manner. A fourth reason is that the TDP, unlike in the earlier elections, had been able to muster party men at the grass roots level for electioneering. This of course was complementary to the NTR campaign.

While this is the position in the rural belt, the urban voter appears to have had

second thoughts about the TDP as evidenced in the municipal poll results. Of the 11 municipalities to which elections were held, the Congress(I) won 7 and the TDP 2. In fact the pattern in the municipalities is also in line with the trend set a year ago when the Congress(I) won 56 out of 106 municipalities and the TDP 42.

The chief reason for this rural-urban 'divide' appears to be a feeling among a majority of the urbanites that the TDP

is unduly favouring the weaker sections (SC, ST and BCs) in the form of social welfare measures like the subsidised rice scheme, the saree-dhoti scheme, housing and huge investments in scholarships and hostels. In fact this sort of feeling is not specific to AP. It appears to prevail in almost all non-Congress(I) ruled states, as social welfarism is the hallmark of the policies of these governments. Such a policy has its own impact on the electoral

base of the parties. A non-Congress(I) party, initially starting with rural-urban electoral support, will ultimately become 'rural based' as its social welfare measures benefit the rural people the most. While this is true even in a state like West Bengal, it is especially true of a state like Andhra Pradesh. Precisely for the same reason, it is more difficult for the Congress(I) to capture the rural belt when a regional party with a local idiom is ruling the state.

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### Over-Mechanisation in Coal India

DN

High output per man-shift (OMS) in the coal-mines of Coal India does not necessarily mean cost minimisation. Beyond a certain level of mechanisation associated with increase in OMS, the saving in wage cost per tonne of coal is not commensurate with the cost of additional investment on mechanisation.

IN a comment on CIL ('Coal India's Modernisation Programme', February 20) while pointing out that its 'modernisation' programme was mainly concerned with tertiary activities, like telecommunications, and not with production, it was stated that a key indicator of productivity in coalmines is output per man shift (OMS). A reduction of the cost of production should certainly be the objective of a modernisation programme, but can that be equated with maximising the OMS? OMS would increase with every substitution of machine for man, but it does not at all follow that the cost of mining of a tonne would fall with every such substitution. Cost is not only direct labour cost, but also materials cost. The saving in labour cost may be more than offset by the increase in materials cost.

The above point has been brought out in a report by a sub-committee of the Joint Bipartite Committee for the Coal Industry (JBCC1). The sub-committee, which included top CIL officials and representatives of INTUC, AITUC and CITU, concludes that "high OMS does not necessarily mean cost minimisation. particularly due to the fact that beyond a certain level of mechanisation associated with increase in OMS, the saving in wage cost per tonne is not commensurate with the costs of additional investment needed to achieve such OMS". As a result, between 1980-81 and 1985-86 while the wage cost per tonne of saleable coal went up from Rs 73.18 to Rs 103.51, the total cost per tonne of saleable coal went up from Rs 123.12 to Rs 214.20 per tonne. There was an increase in the real cost of production of coal as the price index rose by less than the 75 per cent increase in cost of production. Of course, the above figures are of cost of production in ClL as a whole, and not comparisons of cost of production in mines with different levels of mechanisation. But since the extent of mechanisation in CIL has been increasing, It can be said that increasing mechanisation has not helped reduce the cost of production of coal, if anything the cost of production has gone up.

OMS then is not quite the key indicator of productivity in coal-mines that it is made out to be. Mine mechanisation in

India is being carried out by an assorted group of collaborators, the Soviet Union and Britain being prominent among them. It is in their interest to push for everincreasing mechanisation, as that would lead to greater sales of machinery and spare parts. Continuation of the old pillar-and-board system, which would hardly require any imports, is not in their interest. It is then no surprise that OMS, irrespective of the total costs of production, is portrayed as the key indicator of productivity in coal-mines.

The Indian economy is a labour-surplus economy. The existence of a permanent and growing reserve army is the result of a process where the old economy is decaying without the new being able to push forward vigorously. In such a situation maximising labour productivity in one enterprise (or sector of the economy) would lead to over-mechanisation which would both divert scarce material resources from other uses and also render idle labour, which would have no other employment available. Take the example of the Russian-aided Jhanjhra project in West Bengal. This giant mining complex which is expected to produce 25,000 tonnes per day, will employ a mere 2,000 workers. With traditional mining methods upto 20,000 workers could have been employed in this project.

That the level of mechanisation to be employed cannot be the same for all economies, irrespective of their stage of development, can be seen in the following. In India the cost of machinery is certainly much higher than in the countries of origin, as a monopoly profit depending on the pressure the particular collaborator can bring to bear, must be added to the original sale price. At the same time, wages are much lower in India. Besides, there is often no alternative productive use for the labour that might be displaced by mechanisation in countries like India. These factors will certainly affect cost calculation and would yield different results for cost minimisation in India as compared to the countries supplying machinery. Besides, there would also be a divergence between such calculations made at the enterprise level and at the level of the whole economy.

The JBCC1 sub-committee points out that China is an example of a country which has built a large coal-mining industry (production of 860 million tonnes per year) "without resort to large-scale mechanisation". In the Maoist phase of industrialisation the Chinese formulated the policy of 'walking on two legs', stressing the necessity of adopting a combination of mechanised, semi-mechanised and manual mines. This is an appropriate policy in an economy that is labour surplus. The policy of maximising mechanisation, which means maximising the outflow of foreign exchange, is not only anti-working class but also antinational. Both unemployment and dependence on foreign powers will be maximised by the policy of maximising mechanisation.

The larger number of workers who would be employed by the less mechanised methods would help in the development of a broader, internal market; while the more-mechanised methods would lead to a larger outflow to foreign countries. The former would advance capital accumulation in India, while the latter would retard it.

Another factor in the choice of the most-mechanised methods is that the CIL management would prefer to have to deal with a small group of well-paid, skilled workers, rather than with a larger group of not-so-well-paid, 'unruly', manual workers. That the former tend to be more from the upper castes, while the latter tend to be more from the lower castes and tribes would certainly not be lost on the governments and bureaucracy who are trying to extend the social base of fascism from the rulers into the upper castes.

Of the different mechanised mining complexes in the country, the Russianaided Jhanihra project in West Bengal has been the scene of a protracted struggle against the mechanisation policy. Continued agitation by those being displaced and the contract workers employed for digging the shaft, forced the Russians and ECL to abandon the experimental Nakrakonda project (which was meant to test the equipment and machinery before they were deployed on a large scale) and to go straight to the main project. The leaders of the CITU, INTUC and AITUC signed various agreements accepting the demands of the Russians and the ECL management. The Left Front government deployed its police force to suppress the agitators. It is no small irony that the leaders of the very same unions that support the Russians and the ECI management in the Jhanjhra project, have been forced to come out against the overmechanisation of projects like Jhanjhra.

### **CPI(M) Rides Left Front Squabbles**

Kalyan Chaudhuri

Despite the in fighting among the Left Front partners, the CPI(M) has made substantial gains at the expense of the Congress in the recent panchayat elections in West Bengal while the other two major constituents of the Front, the Forward Bloc and the RSP, have managed to maintain their positions.

THE just-concluded panehayat poll in West Bengal has onee again vindicated the CPI(M)'s claim that it continues to enjoy the overwhelming support of the rural people. The party's impressive performance in the election to the three-tier panchayat bodies-gram panchayats, panchayat samitics and the zila parishadshas been the result of a number of factors. The other partners of the ruling Left Front like the CPI, Forward Bloe and the RSP have not fared badly, given the faet that their nominees had to face CPI(M) eandidates in a number of 'disputed seats' where the Left Front could not set up single agreed candidates against the Congress because of severe infighting among the Front constitutents. The Congress, on the other hand, has suffered three sueeessive defeats in the panehayat poll held in the state since 1977 under the Left Front rule, and this time the party has virtually faced a debacle losing nearly 5,000 seats compared to what it got in the 1983, panchayat election.

The CPI(M)'s astonishing success in the election (see the Table) is mainly due to its superior organisation and organised eampaign. The party had started preparations for the pool immediately after the assembly election in March last year when the Congress's strength in the state assembly was further reduced. The party engaged a large number of eadres to help prepare the voters' lists and resorted to a mass contact programme. The outcome of the Tripura assembly poll was a warning for the CPI(M) not to take any chances and the entire party machinery was geared up for the panchayat poll. During the past few months the state witnessed one of the most intensive campaigns launched by the CPI(M). The main campaigner for the party was the chief minister, Jyoti Basu, himself. His public meetings drew huge crowds indicating what was in store for the CPI(M) in the poll.

The Congress was a late starter and the West Bengal Congress took a long time before formally deciding to join the fray. The party had little time for election campaigning which was spearheaded by the state Congress chief, Priyaranjan Das Munshi, The Tripura election results gave rise to some hopes in West Bengal Congress circles of achieving better results this

time, but lack of organisation and intraparty squabbles stood in the way of the party faring well in the election.

The substantial gains made by the CPI(M) in the poll have been mainly at the eost of the Congress. The two major Left Front partners—the Forward Bloc and the RSP—which were engaged in an open duel with the CPI(M) over scat adjustment, have succeeded in maintaining the status quo. The CPI, however, has come to occupy a better position by virtue of its alliance with the CPI(M). The party had put up a poor show last time mainly because of its disputes with the CPI(M) in a number of districts including Midnaporc.

The results of the panchayat poll have surprised even the CPI(M) because the party had expected victory but not of this order. The CPI(M) had feared that because of the more infighting in the Left Front the Congress might gain politically and the number of seats won by the Congress might increase.

The poll has certainly reflected the high level of political consciousness of the state's rural people who constitute a total electorate of 2.63 erore. More than 75 per cent had cast their votes, according to the state panchayat directorate, which says that the figure may increase after the figures from all the 37,000 village booths are gathered. There are booths were more than 90 per cent had east their votes. In only rare cases was the voting percentage below 65.

Whatever might be said of the CPI(M)'s terror tacties and rigging, it was elear even to a central team of senior IAS officers who had inspected the poll process that the entire election, including the polling, had been completed according to the rules of the game. Incidents of violence, terrorising voters, fake voting and other irregular praetices were minimal. As the counting began, immediately after the polls were completed on February 28 evening, it was evident from the start that in most areas the Left Front candidates, paritcularly those of the CPI(M), were far ahead. This eaused desperation among the agents of the Congress candidates present at the counting. On many occasions they had left the counting centres in disgust and their departure was later described as forcible ouster from these centres in statements issued by the Congress leaders.

More than 62,000 seats were contested in three tiers, including 52,530 for the gram panchayats, 9,128 for the middle level panchayat samities and 638 for zila parishads. The CPI(M) secured about 66 per cent of the seats this time, against 55 per eent in 1983. The three other Left Front eonstituents, the Forward Bloc, RSP and the CPI, together got 7.28 per cent seats against 6.60 per eent last time. The Congress has been virtually routed from the rural areas, largely because the entire landless rural labour voted for the CPI(M) or the Left Front candidates. In areas where there was no understanding among Left Front constituents over distribution of seats, the electorate had largely voted for the CPI(M) so that the Congress could not exploit the division in the Left Front votes. The Congress tally of seats this time is around 23 per eent which is about 10 per eent less than what it had secured in the 1983 panehayat election.

The Congress has eharged the CPI(M) with large-scale intimidation of voters and rigging. The state Congress ehicf, Priyaranjan Das Munshi, has submitted a memorandum to the union home minister, Buta Singh, complaining about the CPI(M)'s "terror taetics and attacks against Congress workers". Singh is believed to have taken a serious view of the matter and accepted the state Congress's invitation to visit the affected areas.

A piquant situation has now arisen over

TABLE TALLY IN THE WEST BENGAL PANCHAYAT ELECTIONS, 1988

Gram panchayat	
Total no of seats	52,530
No of seats undeclared	2,119
CPI(M)	33,850
CPI	889
FB	1,400
RSP	1,571
Congress	12,221
Janata	20
BJP	35
Ind and others	425
Panchayat Samity	
Total no of seats	9.128
No of seats undeclared	551
CPI(M)	6,528
CPI	65
FB	125
RSP	122
Congress	1,692
Ind and others	45
Zıla Parishad	
Total no of seats	568
No of seats undeclared	15
CPI(M)	526
CP1	7
FB	1
RSP	24
Congress	57
Ind and others	6

Das Munshi's assertion that the Left Front government has landed into a constitutional crisis because of the chief minister's inaction over the charges of rigging levelled against his government by some of his cabinet collegues belonging to the Forward Bloc and the RSP on the election day. The chief minister too has admitted that the minister's reported remarks have created a political crisis in the Left Front. However, the panchayat poll which had generated some degree of acrimony among the Left Front partners ended on March 4 when the election results in all the booths were announced and the CPI(M) was found getting absolute majority in all the panchayat. bodies. An interesting fall-out of the election is that the Forward Bloc and RSP, the two major Left Front partners, who were embroiled in bitter squabbles with the CPI(M) during the panchayat poll campaign, have cooled down considerably after the announcement of all the results. Two Forward Bloc ministers, Kamal Guha and Bhakti Bhusan Mandal and the RSP minister, Debabrata Banerjec, who had openly criticised the CPI(M) in the elcction meetings for its "big brotherly attitude" have become quiet these days. Perhaps they are maintaining complete silence after witnessing the performance of the CPI(M) against whom the Congress as well as their own parties had launched a severe attack

At the last Left Front meeting on March 4, the chief minister took strong exception to the three recalcitrant ministers' remarks and observed that their statements on the eve of panchayat poll would go against the Left Front government. He also asserted that it would be an embarrassment to his government in the budget session of the state assembly. Finally, the CPI(M) has served a virtual ultimatum to the Forward Bloc and the RSP leadership seeking written clarifications of their ministers' role during the panchayat poll. Though the Forward Bloc and the RSP leaders tried to assert that their ministers had not said anything against the Left Front government nor against the chief minister but against the CPI(M) as a party, they had, in fact, no other alternative than to submit written clarifications on their ministers' observations to the CPI(M).

This attitude of the two parties is not because the CPI(M) has made substantial gains in the panchayat poll. But the reason for their lying low is different. The two Front partners are aware of the bitter experience of at least four Front partners in the past cleven years—the Biplabi Bangla Congress, the Marxist Forward Bloe, the West Bengal Socialist Party and the Democratic Socialist Party—who have been all but wiped out when they dissociated themselves from the CPI(M).

### Dryland versus Irrigated Farming

**B** D Dhawan

A team of experts, under the auspices of the Indo-US Sub-Commission on Agriculture, has warned of a 'coming quiet crisis' in Indian agriculture and has, in a veiled manner, urged the World. Bank and the USAID to shift gear from irrigation development to dryland development in India.

IT is not surprising that the setback in agriculture should have given rise to criticism of the past and the ongoing programmes of agricultural development. Since irrigation development has been the kingpin in the planners' strategy for Indian agriculture, it is natural that dissatisfaction should be aired about it when a drought of great severity comes close on the hecls of a short phase of stagnation in food output. What is striking about this criticism is a lack of appropriate critique of irrigated agriculture. Instead, the proponents of other programmes for agricultural development make fervent pleas for their cause, without of course offering a critical evaluation of these programmes. Needless to say, such partial analyses are a hallmark of those who think they have done their duty to their dear cause by passing onesided strictures on rival causes. Thus we find the

proponents of minor irrigation frequently pouring scorn on major irrigation works, without offering a comparative critique of the two categories of irrigation works. No wonder, then, a lot of myth has come to surround minor irrigation in the public mind—and correspondingly a lot of stigma has come to be attached to major irrigation.

The report under discussion\*, though not written in the shadow of the drought of 1987, was prepared in the shadow of the stagnating phase, 1983-86, of Indian agriculture. Of course, it was duly endorsed at the fifth meeting of the Indo-US Sub-Commission on Agricultrue in December 1987. It may appear odd that the votaries of dryland farming should commend it to the planners in a year of nationwide drought. The report takes a pessimistic, if not altogether harsh, view of Indian irrigation. Since it offers no

critical assessment about the actual performance of dry farming methods, a commentator has two options. One, he may fill this gap, so as to enable the reader as well as policy-maker to get a fair comparative picture of the performance of irrigated vis-a-vis dry farming technology. Two, he may re-evaluate the perceptions in irrigation contained in the report. Since the first option is a major assignment for which this writer is professionally illequipped, he would concentrate more on the other option.

The report is not readily available as it is not a priced publication. But it is making the rounds in limited circles, printed as it is in a well bound volume of normal book size. So it is not all that scarce, and write-ups and editorials based on it have appeared now and then in the daily press; it was even reviewed in a leading financial daily. Its 95 pages are divided into eight sections. The truly readable part comprises the first four sections, as the last four sections, to which three-fourths of the space is devoted, deal mainly with an assessment of the research proposals submitted by the host institutions.visited by the visiting teams. This peculiar character of the report may be traced to the fact that the visiting teams came at the express invitation of the Indian Council of Agricultural Research (ICAR), New Delhi. As a result, the teams visited important ICAR-supported research stations dealing with dry farming technology. Among the places visited are (I) the CRIDA near Hyderabad, alongwith its three centres at Bangalore, Bijapur and Solapur in the Deccan plateau, the major dry region of the nation, (2) the CAZRI at Jodhpur, along with its two centres at Jaisalmer and Chandan in Rajasthan, another important region of dry farming, (3) the ICRISAT near Hyderabad, a premier, non-ICAR research institute on dry farming, and (4) the RBS Agricultural College near Agra.

Unlike irrigation, dry farming technology consists of a wide range of things. Under the rubric of this technology research is being conducted on a variety of topics: agrometeorology, soil conservation, watershed management, afforestation of wastelands, intercropping, onfarm water conservation, seeding and ploughing techniques, mapping buried river channels for groundwater irrigation, water harvesting and farm ponds for life saving irrigation, etc. Needless to say, many of these are not alternatives to irrigation development. But since these compete with irrigation at the stage of

<sup>\*</sup> Combined Report of the US Dryland Farming Team and the Economics Team Visits to India, March/April and June 1987 under the auspices of the Indo-US Sub-Commission on Agriculture, pp 95.

resource allocation, one can understand the pique of their proponents when they find irrigation pre-empting the limited resources earmarked for the development of agriculture. Here they do have a point. For one reason; the agricultural sector, being primarily a responsibility of the states of the Indian union, is not well funded. For another, commencement of too many irrigation projects during the early seventies has precipitated the matters. In the name of priority for ongoing projects, the major irrigation works have crowded out other agricultural schemes. Their inefficient execution in recent plans has given rise to serious cost and time overruns. No wonder, then, major irrigation works have become a sore point in many quarters, including dry land farming proponents.

A major perception of the four-member Economic Team is that expansion of irrigated agriculture alone would not suffice to meet the growing food needs of this country. An additional demand of 84 million tons of foodgrains is anticipated by the turn of this century. In its judgment, irrigated agriculture can hardly contribute an additional output of 35 million tons. Therefore, the logic of the situation demands that the balance of 49 million tons has to come from the unirrigated or dry farming segment of Indian agriculture. The underlying basis of this calculus is examined later.

In a country of continental diversity it is not very prudent to think of some particular alternatives to the total exclusion of other options. So, both dry and irrigated farming technologies have their due role to play. It is well known that Indian water resources are inadequate for irrigated farming on the entire land base of the country-our ultimate irrigation potential may suffice for about 55 per cent of our crop area. This percentage can be enhanced considerably if two conditions are fulfilled. One, in the water scarce regions, like the Deccan plateau, farmers can be persuaded to shift away from water intensive crops to lightly irrigated crops. Two, we succeed in augmenting water supplies in water-short regions through transfer of surplus water from water-abundant river valleys.

Even then it is inconceivable that irrigation benefit can be extended to more than two-thirds of the Deccan. Thus in the uncovered areas the hope for increase in farm income lies in improvement in dry farming methods. It is in this limited perspective that one cannot deny the role of dry land farming technology. And we must show due appreciation of the scientific endeavours of both the ICRISAT and the ICAR to improve dry farming techniques in our climate which is, by and large, not much suited for practising intensive

farming without the aid of irrigation.

It is the four-member Economic Team. and not the Dryland Farming Team, which fears a 'coming quiet crisis' (p 10) unless dryland sector is enabled to contribute an additional 49 million tons in foodgrains by 2000 AD. In a veiled manner, it urges the World Bank and the USAID to shift gear from irrigation development to dryland development in India. Its proposition that "the dryland agriculture sector is far more energy efficient in crop production than the irrigated sector" (p 12) is open to question. For it appears to be actually basing its claim on the comparative use of energy input per crop ha (vide Table 5, p 22) and not per unit of crop output. Readers are advised to check for themselves many another observation of the team with the corresponding tabular data (whenever that is possible). Some of these observations are undoubtedly an outcome of close interaction with the Indian scientists whose own perceptions may lack professional validity. The scope for shaping the views of the visitors is greater the shorter is the duration of their stay in India (12 days in the case of economics team and 20 days in the case of the dryland farming team).

It is amazing that the protective role of irrigation is not dealt with at all in the report-fluctuations in Indian farm output under unirrigated conditions are known to be twice as high as those observed under irrigated conditions. An interesting aspect of the stabilising role of irrigation is the comparatively smaller dent made by drought on the output of the irrigated than of the rainfed segment in low to medium rainfall areas of the country. Irrigation is the best option for drought proofing of Indian agriculture. Since the teams came before the onset of the drought, one can understand why they failed to appreciate this vital role of irrigation in the monsoonal conditions of the country. At best their plea for water and soil conservation can mitigate a hydrological/agricultural drought, not a meteorological drought that is an outcome much more of global changes in climate. (e g), El Nino effect of Latin America) than of what happens within the confines of this country.

To revert to the appreciation of Indian irrigation and irrigated agriculture contained in the report, the irrigated segment can contribute to additional production, first, by the continuation of the past uptrend in foodgrains yield and, second, by the very expansion in the size of the irrigated segment through fresh investments in irrigation. On both these counts, the economics team appears not so sanguine. In the coming years it does not anticipate more than 1.3 million ha per year addition to irrigation, a rate it observes for the

second half of the seventies. It is noteworthy that this rate is well below our planners' current target of the order of 2.5 million ha per year. Why it has chosen to ignore the historical fact that Indian irrigation has expanded in an accelerating manner over time (0.5 million ha per year in the fifties and 1.0 million ha per year in the sixties) is not clear to this writer. There being still a good deal of untapped irrigation potential, what prevents us from continuing an accelerated expansion of our irrigation facilities? Mounting cost of irrigation works and their huge time overruns? Groundwater depletion? Anti-dam lobbies? Replacement needs of old irrigation works? Erosion of irrigation capacity due to reservoir siltation and poor maintenance of canal networks? Without detailed answers to such questions, the proponents of the irrigation strategy are not likely to buy the assessment of the Economics Team.

A projected additional contribution of only 15 million tons from 37.6 million ha that are already under irrigation implies a foodgrains yield enhancement of a little under one-third ton per irrigated ha by 2000 AD. This step-up in yield is almost half the magnitude observed by this writer for the period 1970-83. This attenuation in the trend is in sharp contrast to the team's implied heightening in the past trend in dryland yield. According to the work done by this writer, the foodgrains yield of this segment barely rose at the annual rate of 12 kg per ha over the period 1970-83. State-wise, the uptrend ranged from 29 kg in Maharashtra to 23 kg in Andhra Pradesh, II kg in MP, 8 kg in Gujarat, 4 kg in Tamil Nadu, one kg in Rajasthan and minus one kg in Gujarat the last four values are statistically no different from zero. By assigning a target of 49 million tons of additional foodgrains production to the dry farming sector, the team failed to realise that it was underwriting a boost in unirrigated foodgrains yield by a factor of 1.80 in the next 15 years.

We must take note of the fact that promoters of dry farming technology in India are now veering round to the view of 'life saving' irrigation. Their researchers have revealed that even a single light irrigation can step up land productivity by a sizeable margin. To illustrate, many experiments on jowar, the principal grain crop of the Deccan, indicate a rise from about 11 to 19 quintals per hectare when live saving irrigation equal to two inches (5 cm) is made available to the crop. This fact should be used by the dry farm technologists to press for the development of, protective irrigation, which has been unfortunately run down by their fellow agronomists since the advent of HYV technology.

### An Unusual Civil Servant A Tribute to L K Jha

Sharad S Marathe

L K Jha was the first to point out that India had a middle class of 100 million people who enjoyed a standard of living comparable to that of some of the European countries in the early 1950s. This made India one of the largest potential markets in the world. He had, therefore, no hesitation in calling for increase in production to meet the demands of the new markets.

LAKSHMI KANT JHA who died last month after a brief illness was perhaps the only person who enjoyed the confidence of Jawaharlal Nehru, Lal Bahadur Shastri, Indira Gandhi, Morarji Desai and Rajiv Gandhi. A civil servant, he put in a stint as ambassador to the US, was governor of the Reserve Bank of India and also governor of a sensitive state like Jammu and Kashmir for a long period. He had to be a remarkable person to be equally well regarded by successive regimes.

But L K Jha-LK to his friends-was remarkable in many other ways as well. A scion of a fairly prosperous landed family of Bihar, he was educated at Banares and later at Trinity College, Cambridge, where former tutors like the late Dennis Robertson remembered him as one of the brightest of their students even after a lapse of twenty years or more. He was at Cambridge in the heydays of its economics tradition when John Meynard Keynes wrote his General Theory. He was steeped in the Cambridge tradition of 1930s; and had he not gone into the Indian Civil Service, he would certainly have adorned the academic scene in Cambridge or some other prestigious

Even as a member of the civil service he had an unusual career. Unlike most of his colleagues in the service, he hardly spent any time in his home cadre of Bihar and Orissa. He was at the centre through the turbulent times of the Second World War and the partition and its aftermath; and was involved with the making of economic policy for over four decades until his death last month. He worked as chief controller of imports and exports in the 1940s and was additional secretary or secretary in various ministries including commerce, industry, finance and the prime minister's secretariat. After his tenure as governor of Jammu and Kashmir during which time he was also the chairman of the Indirect Taxation Enquiry Committee, he was chairman of the Economic Administration Reforms Commission—a kind of one-man 'think tank' for the prime minister. After his induction as a member of the Rajya Sabha, a couple of years ago, he ceased to hold any official position; but he continued to remain a very influential advisor to the prime minister ou matters economic, both domestic and international. India has had many outstanding and distinguished civil servants; but no one could match L K Jha in the sheer range of economic and political experience

But his was a many-faceted personality. Few people, other than those who knew him well, could have imagined that LK was an acknowledged authority on medieval Indian sculpture. He could date the carvings and sculptures of eleventh or twelfth century AD on the basis of hairstyles or clothing. In his earlier years in the civil service he spent his vacations, when he got them, going to lesser known archaeological sites. He was a talented photographer and had an impressive collection of photographs of ancient sculptures which he had taken himself. He had considerable diagnostic skills as an amateur homoeopath, and to many of his friends he was a far more effective doctor than their medical advisers. The only thing LK had no connection with was any kind of physical exercise. He used to quote with evident approval a saying of Mark Twain that the only exercise he ever took was when he had to walk behind at the funerals of his friends who had been taking exercises!

He would, of course, be best known in years to come for his eminently sensible and pragmatic approach to the wide range of issues relating to economic policy. He was sometimes identified with the socalled rightist approach to economic policy. But these kinds of stereotype descriptions did not fit In with LK's approach to issues which was never determined by any ideological commitment or dogma. Of course, as one who was deeply involved with the making of economic policies since independence he did believe in planning. He was also convinced that government guidance of the economy could be beneficial and that poverty could only be attacked directly by creating work opportunities and increasing the incomes of the poorest strata of the society. All his writings-lucid and simple-reflected his conviction that government had a positive role in fostering economic development. But in more recent years L K Jha repeatedly stressed the need to loosen all manner of controls on production and prices. He was the first to point out sometime back that Iudia had a middle-class of 100 million people who enjoyed a standard of living comparable to that of some of the European countries in the early 1950s. This made India one of the largest potential markets in the world. He had, therefore, no hesitation in calling for increase in production to meet the demands of the new markets because in this way more jobs would be created and more incomes would be generated for the poor. He had great regard for and confidence in the entrepreneurial potential in the country and was amongst the first to advocate the need to encourage 'job creators' rather than 'job seekers'.

The best way to secure growth and rise in the standard of living for the large mass of people in the country, according to him, was by giving maximum scope to individuals to pursue their own fortunes. Whilst he was cognisant of the government's role in fostering economic development, he was equally clear in his view that government's optimal role was guidance and not control. With his long years of experience in economic administration, he was aware, more than many others, that government should be in the business of promoting desirable activities rather than restraining what it considered to be less desirable ones. Again, as a result of his long experience in making of policies he was very much aware that developmental policy must be tailored to suit the needs of the country in the particular phase of its economic growth and that policies which were right and relevant in one epoch should not be permitted to act as a constraint in another.

As he put it, in his book Economic Strategies for the Eighties, which was published in 1980, "...strategy may need to be modified not because the course of action chosen in the past was erroneous, but because in the altered circumstances it has ceased to be the most appropriate. There can be no greater disloyalty to the pioneers of the past than to refuse to budge from where they stood."

This is, perhaps the most relevant legacy of L K Jha—a man of many parts, and an unusual civil servant who will undoubtedly have a place amongst the most distinguished public servants who have made their contribution to India's development.

# Organising Fisherfolk Cooperatives in Kerala

K G Kumar

Kerala's artisanal fisherfolk have more often than not lived in exploitative conditions. Past government efforts to organise cooperatives for their welfare have failed. The South Indian Federation of Fishermen Societies (SIFFS) is one outstanding and successful private example.

EVERY day all along the 590 km coastline of Kerala thousands of bronzed fishermen roll in with the surf of the Arabian sea in their boats and catamarans, hauling in the day's catch. What they bring in is by no means a meagre amount—it comprises about 70 per cent of the total landings in the state. Yet, these and other fishermen in neighbouring Tamil Nadu have been chronically plagued by a large variety of problems that affect their livelihood and their families. Most cures -usually handed down from above by government edictshave been tardy and incpt. However, one bright spot stands out as a pointer to what can be done given a correct understanding of the problems and a genuine commitment. This is the South Indian Federation of Fishermen Societies (SIFFS), an apex body of primary village-level fisherfolk cooperatives formed in 1980 as the outcome of sustained work amongst them by a group of social workers and activists. Today the SIFFS represents a concerted effort by fisherfolk to organise themselves to battle big business and exploitative forces. Its impact is not just confined to its 5000 members but has a spread effect that tends to propagate the message of authentic cooperativisation. To understand its total significance, the role played by SIFFS has to be located in a larger perspective.

For these fisherfolk, fishing has been a way of life for countless generations and the only skill they possess. Their contribution to the fish economy of Kerala-the principal maritime Indian state, which until recently led the rest in the annual production of marine fish-has been largely taken for granted. No grateful encomiums have buoyed up their labour. On the contrary, they have often been exploited by money-greedy middlemen and unscrupulous merchants and moneylenders. These intermediaries intervene at the initial marketing stage, obfuscating the issue and rationalising their inequitable dealings by professing that what these artisanal fishermen catch is the 'free' bounty of nature. Such operations have had several manifestations: unfair prices for the fishermen's catch; indebtedness to moneylenders (some of whom charge over 100 per cent interest); delays in payments by merchants. Little wonder then that the government of Kerala's department of fisheries estimates that 50 per cent of fisherfolk families have an annual income less than Rs 1,000, with only 3 per cent exceeding Rs 3,000. In 1979, 98.5 per cent of these families lived below the poverty line.

Even though the act of fishing itself is often a highly individualistic enterprise, back on the shore, seiling off the eatch necessarily involves greater interaction with different levels of the community. And amongst fisherfolk traditional kinship norms and relationships are strong. This, coupled with the many socioeconomic problems common to a village, gives fishing a larger social dimension. Such a situation would appear to tempt the organisation of fisherfolk along cooperative lines. True enough, efforts in this direction extend as far back as 1917 when the region that today comprises Kerala saw the first cooperative society for fisherfolk. From the time of the erstwhile Travancore state, successive governments were convinced that the cooperative enterprise was the best means for fisherfolk to improve their socio-economic standards. The government soon linked the organisation of cooperatives to attractive incentives like the provision of mechanised boats, long-term loans and grants.

The possibility of acquiring mechanised boats and the government's urgency to achieve targets led to a proliferation of cooperatives. During the 16 year period from 1958 to 1974 their number increased from 241 to 1,036 and the recorded membership from 33,332 to 1,08,993. (Interestingly, the principal incentive behind cooperative formation is evident in the fact that the same period saw the number of mechanised boats increase from 115 to 2,105, of which 805 were supplied through these cooperatives.)

The statistics for that period were undoubtedly very impressive. Kerala was far ahead of other maritime states. In 1974, for instance, Kerala had 1,036 primary cooperatives (Andhra Pradesh ranked second with 662) with 1,08,993 members. This represented a remarkable 99 per cent

coverage of the estimated 1,10,000 active fishermen in the state. Performance, however, was characteristically dismal. In the same year these cooperatives had a turnover of Rs 51.23 lakhs, which represented only 9 per cent of the all-India figure and only one per cent of the total value of fish landings in Kerala that year. It did not take long to unravel this apparent paradox: most of these cooperative societies were hardly genuine people's organisations but mere lists of names gathered to gain access to mechanised boats and government subsidies.

Thus in 1976 the Kerala government's Resuscitative Committee for Fishing Cooperatives delineated certain fundamental lacunae: inaccessibility of funds from financial institutions and consequent inability to meet the credit needs of fisherfolk; lack of working capital to operate the mechanised boats; failure of marketing cooperatives due to the lack of supply from the producer cooperatives.

Such a poor showing is not something unique to Kerala. According to John Kurien, a fisheries economist and an associate fellow of the Centre for Development Studies, Trivandrum, this reflects the general situation in India. Furthermore, fisherfolk cooperatives in other developing countries have fared no better. Nevertheless, there have been a few successes elsewhere. Margret Digby, a champion of cooperative enterprise, has studied these. She enumerates five indispensable factors for the success of a cooperative: a spontaneous response to exploitation; evolution from traditional community organisations; voluntary efforts by private agencies interested in the welfare of fisherfolk's action by other kinds of cooperatives; government policies aimed at protecting and developing fisheries, using the artisanal sector as the starting point.

Significantly, Digby's list is in decreasing order of importance. This spotlights a crucial implication: the single most important factor is the fisherfolk's spontaneous response to exploitation. This is the springboard for launching a successful cooperative. According to John Kurien, if a cooperative fails as a people's organisation, it will most certainly fail as a business organisation—there is no exception to this rule.

### **GRASSROOTS EFFORTS**

The success of SIFFS exemplifies this truism. Its genesis itself is rooted in a people's grassroots effort—the creation of the Marianad Fishermen's Cooperative Society. An account of this pioneering experiment will illustrate the founding principles and strengths of SIFFS.

Over the years 1960-62 the church-aided . Trivandrum Social Service Society created

the village of Marianad in an uninhabited tract of the coast near Trivandrum. A small team of community workers lived with the villagers as they came to grips with the new reality of eking out a living in a fresh environment. Traditional community building and development, however, could not break the shaekles of an exploitative economic system: most of the fisherfolk were indebted to moneylenders; they had to pay an auctioneer to sell their catch; and often the merchants who bought these would defer full payment. Determined to free themselves from this stranglehold, the fisherfolk decided to form a cooperative for themselves. Strangely, when they attempted to register it they were informed that one already existed in their own village! This turned out to be one of those bogus cooperatives formed to siplion off government incentives. The founder fisherman of this cooperative agreed to 'sell' his functionally defunct unit to the Marianad fishermen.

The new cooperative first set out to gain control over the selling of its members' catch on the seashore. To do this it devised a system. Two salesmen of the cooperative would mitiate an auction on the shore, issue receipts for the sale and collect the credit dues from the merchants. To meet its administrative expenses the cooperative levied a three per cent service charge from each member. From the critical marketing function, the cooperative moved on to arrange credit facilities—subsidies and loans to purchase fishing gear. The members also began to contribute to a fixed deposit savings fund. Further, the cooperative began selling fishing requisites, mainly nylon twine for making nets. Due to the erratic nature of their carnings, fisherfolk have always found it difficult to repay loans. To circumvent this problem the cooperative-linked loan repayment to marketing: a percentage of the daily sales earnings would be automatically deducted.

The performance of the Marianad cooperative has been laudable. In the nine years from 1967 to 1976 its membership increased from 55 to 137. Fish sales value increased from Rs 50,000 in 1970 to Rs 6,65,000 in 1976. Further, the per capita gross income of each member increased from about Rs 1,000 per annum to about Rs 4,100.

The marketing function of the cooperative proved to be the keystone in this good performance. Through price slump control the cooperative ensured a minimum price whenever there were bumper landings. Although delivering the fish directly to the consumer was an ideal aim, the distribution system continued to include the traditional small distributors, viz, cycle-peddlers and fish-women. This was because the cooperative recognised

them also as minor, self-employed members of the community with whom close and fruitful interdependence has always existed. The Kerala government has itself praised the Marianad experiment. Labelling it an 'eyeopener', its Economic Review of 1977 stated: "Dedicated leadership and the felt need of the fishermen for united action against the exploitation by the middlemen could be reckoned as the contributory factors for the dynamic outlook of Marianad."

Importantly, the Marianad experiment nailed the lie that the woes of the fishermen were eternal and unchangeable. Marianad soon began to attract the keen attention of others burdened with the same plight. The activities of the Programme for Community Organisation, a private development agency based in Trivandrum, aided this process too.

The going, however, was far from smooth. The battle to wrest control of the auctioning and selling of fish from the middlemen and merchants precipitated irascible repercussions, even violence. The merchants unleashed a formidable price war, often forming cartels to control the market. Being financially sounder, they could afford to lower their profit margins and thus buy from fishermen at prices higher than those offered by the cooperative societies. Another aminunition was, of course, political pressure.

### MODEL FOR REPLICATION

Yet, despite this backlash, similar cooperatives began to erop up in the coastal villages of Trivandrum. In 1980 sixteen of them eame together to form an apex body, SIFFS. In 1983, under the Fishermen Community Development Programme, the neighbouring district of Quilon witnessed the birth of similar societies. These too joined SIFFS. And later 18 more societies from Kanyakumari in Tamil Nadu came under the same umbrella. A year or so before this SIFFS began fortifying itself. It decided to professionalise its functioning. It brought in a graduate from the Institute of Rural Management, Anand (1R: 1A), V Vivekanandan, to serve as marketing manager.

SIFFS's name conveys a rather inflated notion of the breadth and reach of the organisation. In fact, it is yet to have a presence in states other than Kerala and Tamil Nadu, and so cannot claim a truly south Indian stature. What is significant, however, is the model it offers for replication elsewhere. As an experiment, it is a paramount beginning—the first nongovernmental effort of its kind that unveils the potential for cooperative enterprise in fisheries development.

In 1985 SIFFS adopted a three-tier

organisational structure designed to permit maximum participation to the fisher-folk themselves. The primary village-level society is an entirely independent unit where most fishermen are experimenting with marketing for the first time. It auctions locally consumed species of fish, promotes compulsory savings by collecting two per cent of the members' eatch, arranges bank loans for equipment, and sells fishing requisites retail.

In the past, auctioning was the domain of middlemen -often outside agents of big eompanics—who held a tight rein on the market (thus disallowing free competition) and made arbitrary deductions. The establishment of the cooperatives regulated auctioning through the society's salesforce. Fisherfolk collect the price of their sales from the society office. Gone are the days of running after the purchaser to obtain their dues. Bankers are at present more keen to advance loans for the parchase of craft and gear under concessional interest rates since they now have a responsible body to relate to. Previously, individual loans often proved unrecoverable. In the last four years or so, banks have advanced about Rs 1.2 crore through SIFFS cooperatives.

At the second tier of the organisation is the district federations which have representatives from each society. The district federation intervenes in the marketing of fish in the distant internal and export markets which are invariably dominated by a handful of big merchants. The scale of operations in this segment of the market prevents the smaller village societies from being able to wrest a fair price. In the export market, two highpriced species are prawns and cuttlefish. Through a system of direct procurement and marketing the district federations sell these directly to export houses, thus eliminating a series of middlemen. Apart from these functions, the district federations supply ice, purchase fishing requisites in bulk, undertake education and welfare activities, and monitor and assist the village societies.

### PROMOTING NEW TECHNOLOGY

At the third tier is the apex SIFFS, with a general body comprising representatives from the district federations. Apart from the supportive role offered to these federations, one important function of the apex body is the development and promotion of new technology, e.g. boat-building. Large softwood logs used in building traditional dugout canoes are virtually unavailable now. Through R and D, the SIFFS has developed a successful substitute—the ply-vallam, made of marine plywood using the 'stitch-and-glue' technique.

The SIFFS boatyard at Anjengo can build over six boats each month, though its facilities are meant tor manufacturing only four. It offers two models of the plyvallam: the Quilon model (cost: Rs 13,250) and the Anjengo model (cost: Rs 16,000). These differ in base width and provision of fibreglass sheeting-to cope with the different surf conditions and type of fishing in the two places. In 1985 the yard sold about 45 boats, netting a prolit of Rs 56,000 and wiping out its accumulated losses. SIFFS plans to start a second boatyard. In this the emphasis will shift more to R and D and training, with only a bare minimum of production to sustain the enterp: ise. It also hopes to explore the manufacture of libreglass beachlanding boats. (This is because the price of marine plywood is increasing, while polyester resin price is not.)

At Muttom, near Nagercoil, another boatyard makes the kottarkat, an intprovement over the traditional kattumaran. The kottarkat can be mechanised by the addition of an outboard motor engine. One evaluative study, commissioned by the Intermediate Technology Industrial Services, UK, indicates that in terms of high productivity combined with high social cost-effectiveness, the kottarkat is a desirable contribution. The outboard motor engine is a relatively recent phenomenon in the small-scale lisheries scene. It seems to have come to stay despite having set into motion some rapid changes in traditional fishing. To train fisherfolk and mechanics in servicing such engines, SIFFS tuns a central workshop in Trivandrum. It plans to extend this training to all 38 of its village societies through three district-level training centres.

A major handicap is the non-availability of spare parts, especially for the most popular Yamaha model. To try to overcome this obstacle the SIFFS became a distributor for the competitive brand. Johnson engines. The importer assured regular supply of spates for this brand. But the experiment proved futile as the importer turned out to be unreliable. According to Vivekanandan, the SIFFS has had to give up such commercial ambitions since the technology is unreliable and not easily within its control. Why is this so? The outboard motor is essentially a petrol engine originally designed to power the pleasure crafts of weekenders in affluent countries. It happens that kerosene is cheaper in south-east Asia than petrol. This motivated manufacturers to modify the engine marginally to cater to the fishing needs there. Thus, as John Kurien points out, the increased use of outboard engines is more an index of the marketing and sales strategies of Japanese multinationals than their real usefulness to local fishermen.

While the outboard engine enhances flexibility and mobility, its ultimate advantage to fisherfolk is debatable. John Kurien points out that in Trivandrum only if a fisherman manages a seven-fold increase in productivity can he break-even on the costs of operating an outboard engine. Further, the increased energy consumption could push up social costs, too. And yet today more and more fisherfolk rush for the outboard engine—their own 'idiot box', as John Kurien labels it. Soonthe trend will be to grab higher horsepower engines. But unless these are used efficiently they could prove uneconomical in the long run, as experiences in Gujarat and Sri Lanka seem to indicate.

According to Kurien, on the face of it the outboard engine would seem to be what many would consider an appropriate technology. However, to the extent that it is not fully 'appropriable' by the fishermen and remains outside the realm of their knowledge and perception, it still is an inappropriate technology. A concomitant danger in this trend is the likelihood of the deskilling of these artisanal fisherfolk

Obviously, the outboard engine is something that compels the SIFFS' attention. Arguably, fisherfolk must not get overly enamoured by this new entrant. What is needed is an attempt at demystifying the outboard motor engine. SIFFS hopes to start such a process, especially among younger fisherfolk, to prevent

them from blindly embracing motorisa-

In pursuit of a greater understanding of the fish economy, the SIFFS has also undertaken analytical and prognostic studies on the performance and suitability of different motor-craft-propeller combinations, including studies on fuel consumption. For instance, it recently worked on a study to help the Maharashtra government decide on a British-aided programme to manufacture ferrocement boats. This study is particularly relevant since the appearance of ferrocement trawlers in Maharashtra would affect the entire west coast. Another study—on the motorisation of country craft—is likely to be taken up with support from IRMA.

### **EXPLORING EXPORT AVENUES**

Where does SIFFS get the money for these programmes? Some funds come from foreign development agencies like Intermediate Technology Development Group of the UK, OXFAM, the Norwegian government agency NORAD, and the West German agency Bread for the World: Most come piecemeal, on a project-wise basis. Export of prawns and cuttlefish is one area that SIFFS is eyeing keenly. Both these species bring in substantial amounts of foreign exchange, mainly from Japan, the US and Europe. Active fishing for cuttlefish began only after 1973, when the demand from these countries, grew. That year exports totalled under 14 tons. By

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1982 this had grown to 650 tons. At present two main companies in Trivandrum and five in Kanayakumari are involved in this export trade. Each season about 200-250 tons of cuttlefish (about 25 per cent of the annual all-India catch) and about 150-200 tons of prawn are landed here. The SIFFS procures these species from its members at a minimum price and sells them to the exporting firms. It thus assures its members a market and a remunerative price. In the process it absorbs any financial losses resulting from weight loss, surplus quantities, or selling prices falling below procurement prices. In effect, therefore, the SIFFS functions as a middleman, though with a big difference. It is not a speculator: it bears the brunt of price fluctuations and glut situations. By cushioning the risks of its members the SIFFS sometimes incurs heavy losses. If only its middleman function could be eliminated, the SIFFS could offer a higher price to its members. These factors have made the SIFFS toy with the idea of frogleaping one step in the fish marketing chain to become an exporter itself. Such a vertical integration is relatively easy, given the existence of a strong procurement network.

A feasibility study on this by two IRMA students projects a five-year scenario. This indicates that the SIFFS will have to incur losses in the first two years to provide competitive prices. But in the next three years its margin per kilo will be higher than its competitors'. This will derive chiefly from its well-established procurement network. Remarkably, there exists a potential for the fishermen themselves to dictate the price of cuttlefish through controlled harvesting and a consequent regulated supply. (Cuttlefish move slowly in columns and can be fished at will using a hook-and-line).

Commercially, the proposal to enter the export trade is attractive and many fisherfolk, especially in Trivandrum, support the idea. However, certain ideological questions are likely to crop up. Should a people's organisation so close to the harsh reality of their daily lives begin to adopt a 'big-business' culture? And can such a culture be avoided at all? These questions have already set the SIFFS thinking. If the export business strengthens the links between the various cooperatives, the venture will prove worthwhile. Otherwise it could disintegrate much of the power of the organisation assiduously built up over the years.

In spite of the definite and discernible overall positive impact of the SIFFS, some shortcomings and limitations exist. It finds itself still vulnerable to market conditions. According to Vivekanandan, the SIFFS is often at the receiving end of all

changes since it is too small to dictate terms or to influence the fish market. In dealing in fishing equipment too, the SIFFS is affected by price fluctuations—unlike private traders whose manufacturing facilities provide a leverage to alter prices.

The SIFFS started out with the primary aim of growing into a sound, efficient marketing agency, akin to the famed Gujarat Cooperative Milk Marketing Federation. This, however, has not actually happened. The organisation has realised, rather painfully, that it can play only a very limited role in marketing. This is because of the nature of the fish economy, where the Anand model is not entirely replicable.

In fish marketing, the turnover at the base (the village cooperatives) is much greater than that at the apex (SIFFS). This is just the reverse of the Anand pattern where rural surplus goes for urban consumption. In Kerala's fish economy about 70 per cent of the total catch is consumed locally. Distribution is dispersed, with numerous cycleload and lish vendors reaching the consumer directly. Hence the logic of pooling and selling applies to only a portion of the total catch. The SIFFS cannot thus command the economy of scale that Amul Dairy has and so its role as an apex marketing agency is necessarily diminished. Further, unlike milk, fish is not a single homogeneous coinmodity at the point of procurement. For example, some species like anchovies are seasonal. It would therefore, be unfeasible to build large, permanent infrastructure for processing.

The SIFFS has therefore, had a forced transformation. It is now conscious of the need to deviate more into being a development agency, focussing on the service, R and D and technical aspects. In time SIFFS will become more of a consultant to the member federations and also their liaison link with government. Its tentative plans for the future reveal this shift in thrust. a study on resource-management will grapple with how to tap deep sea resources as a unified fishermen's organisation. Another will focus on energy use in fisheries. An appropriate technology programme will attempt design of new craft and gear.

The SIFFS also plans to explore alternative employment areas for fisherfolk in related spheres. Overfishing and rapdily dwindling resources indicate that, beyond a point, the problems of artisanal fisherfolk may not be solvable within the traditional domain of fishing activities. Mariculture and aquaculture are areas worth probing. The SIFFS hopes to build up a large data and information base on the gamut of fishing activities.

Analyses based on this will permit the organisation to influence government policy formulations.

One recent example of this is the comprehensive document circulated by the SIFFS as an approach to the Seventh Plan proposals to develop small-scale fisheries in Kerala. Based on extensive groundwork and a perception born of close interaction with artisanal fishermen, this exercise represents an example of 'planning from below'. A related avenue for SIFFS is consultancy work for the government private and international agencies. Such assignments could also fetch handsome amounts for the SIFFS.

For the government of Kerala, the success of the SIFFS has been—to quote one knowledgeable observer—'a slap in the face". Despite high-faluting talk about the virtues of cooperatives, successive governments have produced nothing to rave about. Through its existence the SIFFS highlights the government's failure. And not surprisingly, it has pre-empted many of the government's own activities.

The Kerala fishermen's agitation of 1984 has, however, forced the state government to attempt an integrated development of the fisheries sector. The prime agent for this is the Kerala State Cooperative Federation for Fisheries Development Ltd or, as it is better known, Matsyafed. Basically, Matsyafed aims to do the same things that the SIFFS has been doing. Matsyafed officials believe that past government efforts flopped simply because those cooperatives were not genuine producers organisations. Instead they had political nominees on their boards. Undoubtedly, Matsyafed today has access to more finances, greater political clout and a longer reach. What will then happen to the SIFFS if Matsyafed achieves its stated objectives? Will the SIFFS get marginalised especially if Matsyafed enters marketing successfully? For its part, SIFFS does not see any likelihood of an overlap or parallel functioning. In fact, SIFFS now covers only 10 to 15 per cent of fishermen and it does not intended to look on Matsyafed as a competitor or a rival.

At any rate, say keen observers of Kerala's fisheries sector, given the history of past government forays into cooperative enterprise, Matsyafed is unlikely to be able to deliver the goods. The principal hurdle remains: the political installation of outsiders as office-bearers of the cooperatives. This immediately abouts the avowed objective of creating full-blooded fisherfolks organisations. And without assuming this basic characteristic, Matsyafed can hardly be expected to displace SIFFS, however earnest and committed its management may be.

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	Banking Companies,			- - - -	the Capit	-	į
-	Agents, etc.				(Narket value		1
	(i) In India	1.15 98,903 27			Rs 5.66.65,000 00 1946		
NIC.	(ii) Outside India	NIL.	1 100 000 011		Rs 5,72,48,350 001		
	Particulars 1986	1987	7 (1)(3)(3)(1)(1)	5,72 04 850 0KI			
		117			Can America Coherlists corbus		
	(ii) Toecured	7117 1 15 08 003 5"			than had and doubtful debts		
	!	- CW W 'V			for which provision has been		
39,50,780.95	5. Bills Payabic		4 5 + 4 5 9777		made to the satisfaction of	-	
	6. Bills for collection being				the auditors)		
	Bills Receivable as				I founs, Cash Credits Over-		
	per contra						
66,46,250.33	(i) Payable in India	2,50.32,436.66		5 67,20 838 65		8.90 86.014 17	
NII.	(ii) Payable outside India	2.43.053.13		NII	(11) Outside India	NII.	
66,46,250.33			2.52 75.489 79	5.67 20.838 65		æ	8.90 86,014 17
	7. Other Liabilities				II Bills Discounted and		
	(i) Unempired				Treasury Bills of the		
45,83,032.27	Discounts	21,86,913.84			Central and State		
	(ii) Sundry				· Governments)		
24 47 700 02	- Proposition	37 75L UY 21		00 .74 00 00 11	for Charachite in Ladia	,	

i de	Acceptances, assortements	-	4	, ,	for Collections per contra		and the same of th
8,78.67,814.78	per contra		14.04 29. 25 6	66.46 250 53 NII	(i) Payable in India (ii) Payable Outside India	2,43.053 13	
	(Previous Year's figures shown on "Assets side being adverse belances) I ose as of			66,46.250 3.5	Constituents' Liabilities for Acceptances, Endorsements		4,52,75,489 79
	October 31, 1986	2,21,274 59		8,58.67 814 78			14.04.29,723 67
	per Profit Loss Account	40,61,135.91		1,23,24,466 89 NIL 1,23,24,466 89	o premises (viole 3) Cost as per last Balance Sheer Add Purchases during the year	1 23,24,466.89 NIL 1.23,24,466.89	
	Add. Net profit for the period from November 1, 1987	96 023 16		18 +6 0"+ +6 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Less Depreciation written off to date	23.69,980.51	90 54 186 18
<u> </u>	Contingent Liabilities		39.34 883 47		9 Furniture and Fixtures, Motor Vehicles, etc.		
	(i) (a) cuarantees given on behalf of constituents			35.36.585 63	Cost as per last Balance Sheet Add Purchases during the year	309.113 18.12.5-3.20	~~~
	Rs 5.16,07.485.40 (1986 Rs 2,99.95,621.53)			37.09.113	Less Written off during the Year	4.42-50	-
	(b) Guarantees given on behalf of officers to the	-		14 ~5.232 29	Less Depreciation written off to date	26.82,964.26	
	customs for Rs 1,00,500 00	•		22.33 881 48	10 Other Assets		28.34.295 21
	to the tax authorities			3.39.926 41	(i) Interest accrued on investments	17.09.567 58	
•	(ii) Outstanding Forward			13.34.645 86	(ii) Other interest accrued	21.39.411 60	
,	Exchange Coursers Be 66 74 30 740 14			2.736 00	(v) Samps on hand	3.098 20	-
	(1986 Rs 80,90,43,978.89)			1,31,51,948 64	amounts recoverable	1 80.59.139 74	*7 007 10 00 0
	(iii) Bills of Exchange Te discounted				11 Non-Banking Assets Acquired		6.4 31.447.0,
	Rs 11.50,00,000 00			ij	in Satisfaction of Claims 12 Profit and Loss		1 
	(1986 Rs 3.30.00.000 00)						
-	-			32.38.502.00	Loss as of October 31. 1985		
				30.17.22741	Loss Account annexed		
				2,21,274.59	Less Net Profit for the period from November 1, 1986 to		
* - 11				1,67,832 61	December 31, 1986		
36.51,14,207 75	TOTAL RUPEES		36,71.61.838 52	36.51.14.20~~5	TOTAL RI PRES		36, T.61 838 52
Notes, See Statement annexed	nexed						
		This is the	This is the Balance Shee, reterred to in our report of even date. For A F FERCUSON & CO	ed to in our report of a LiSON & CO	even date		
			Y M KALE Parner	M KALE Partner			
<b>BOMBAY</b> s, March 3, 1988	200					R V Chief Execut	R W. S JOLL Chief Executive Officer—India

# THE BANK OF NOVA SCOTIA (INCORPORATED WITH LIMITED LIABILITY IN CANADA)

# PROFIT AND LOSS ACCOUNT OF THE INDIAN BRANCH FOR THE YEAR ENDED 31ST OCTOBER 1987

_						
Previous Year	us Year EXPENDITURE .		Previous Year cnded	INCOME (Less Provision made during the year for	ō	
31st October, 1986 Rs.	Rs.	á	31st October, 1986 Rs.	Bad and Doubrful Debts and Other Usual or Necessary Provisions)	r.	ä
2.60,75,917 12	17 12   Interest paid on Deposits, Borrowings, etc.	2.28.41.132 \$6	3,79,90,893 71	1 Interest and Discount 2 Commission, Exchange and Brokerage	- <del>-</del>	3.89.83,937 94 34,29,303 92
17,83,044.32	1	22.17,186 16	JIN.	3 Renk		N.
9	3 Directors and Local Committee 8 600 00 Members' Ress and Allowances	6,400 00		<ol> <li>Net Profit on Sale of Investments, Gold and Silver, Land, Premises and Other</li> </ol>	pio 1	
63,74,379.17	4	172,09,272 71	,	Assets (not credited to Reserves or		20 041 771
61,275.00	5.00 5. Law Charges	6,063.00		sny particular rund of Account)  5 Net Profit on Revaluation of Invest-		1.44.5.0 00
29,500.00	5 r:	28,000 00		_	5	
	_	20 00 00 00 00		Reserves of any particular		
3.00,772.26	٥.	4.45.746.45	TIN NIT			NIL
	2			6 Income from Non-Banking Assets and Profit from Sale of or Dealing		
	Non-Banking Assets 11 Other Expenditure (Including H.O.	35	NIC			NIL
28,22,407.58		30,70,543.79	<b>F</b> 5	7 Other Receipts		<del>7</del> 5
30.17,227.41	27.41 12 Balance of Profit	4 25 57 611 86	# .	ine in seri		
4,23,49,418.29		00'110'. C'C7'L	4.23.45.4-8.29	TOTAL RUPEES	<b>   </b>	4,25,57,611.86
Notes See Statement annexed	en annexed	Per our report attache	Per our report attached to the Balance Sheet			
		For A. F. FER	For A. F. FERGUSON & CO			
			Sdi:			
•		` W &)	Y M KALE			R W. S JOLL
BOMBAY 3 March 1988	1988	Par			Chief Exe	Chief Executive Officer—India
	NOTES TO THE ACCOUNTS		PARTICULARS OFFICER	PARTICULARS OF REMUNERATION RELATING TO THE CHIEF EXECUTIVE OFFICER IN INDIA FOR THE YEAR ENDED OCTOBER 31, 1967	HE CHIEF E	XECUTIVE 1987
I. The	The Indian Branch in accordance with the bank's global policy	policy has adopted Oc-			4	Previous Year
for th	when 3 ist as its year end and accordingly Profit & Luss Account has been prepared for the period November 01, 1986 to Ocother 31, 1987.	as ocen prepared				Ended 31st
2 Byth	By the Companies Act. 1956, the Bank is exempt from disclosing matters not	sing matters not		*	1987 Oct	October 1986
mbou	required to be included by the Banking Regulation Act. 1949 and these accounts	d these accounts	i) Salanes	2.04,000.00		1.70,000.00
2 2 2	have been prepared accomingly. In accompance with the numb meeting assets and liabilities in fortism cutting.	foreign curren-	ii) Allowances	EX.		<b>Z</b>
	cies, other than forward exchange contracts have been converted at the Bank's	ed at the Bank's	ui) Situng Fees			<b>7 2</b>
) Acar	year end mid rate.		v) Employer's contribution to			
# Press	Prefittings represent states a state of youth in a joining owned projectly.	if are controlled	Provident Fu	Provident Fund, Pension Fund  oe any other Superanguation Fund Nil		Z
	through memorandum registers and are recorded in financial kedgers only when	dgers only when	vi) Payments ma			
coffee	collected. These bills for collection outstanding as on December 31. 1987 have. however, been shown in the Balance Sheet as contra under the relevant beads	er 31. 1987 have. e relevant beads	granuities, pa in excess of	gramities, pensions or otherwise in excess of the employer's		
S 5	of account		contribution	contribution or unterest thereon Nil		Ē
6. Is de	In determining the estimated resolts of November and December 1967. deprectation, Head Office administration charges and audit fees have been taken on a	r 1967. deprecia- been taken on a	vii) Estimated in any other be	any other benefits or penquisites 1,93.946.81	,	2,01,460.37
Jose	pro-rate basis and provision for taxation has been made on profits arrived at on	fits arrived at on	ρt	TOTAL 3,97,946.81		3,71,460.37
7. Previ	akkii osasa Previous year's figures have been regrouped wherever necessary	Š				

# THE BANK OF NOVA SCOFIA

(INCORPORATED WITH LIMITED LIABILITY IN CANADA)

# PARTICULARS OF ADVANCES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT CLOSE OF BUSINESS, DECEMBER 31, 1987

Previous Year Rs. P.	PARTICULARS OF ADVANCES	F 28	Previous Year Rs P		e.
	(i) Debts considered good in respect of which the banking company is	O T C BO B 3C O		(v) Debts due by directors or officers of the banking company or any of them either severally or jointly	
5,35,90,Mu.es	(ii) Debts considered good for which the banking company holds no	( ) ( ) ( ) ( ) ( ) ( ) ( ) ( ) ( ) ( )	13.21.028.79	with any other persons.  (vi) Debts due hy companies or firms in which directors of the banking	23 93,691 87
8,12,053.96	other security than the debtor's personal security	13,14,098.70		partners or managing agetts, or in the case of private companies	ž
	(iii) Debts considered good secured by the personal trabilities of one or		1	(vii) Maximum total amount of advances including temporary advances made as any time during the very to	
12,63,47,403 52	more parties in addition to the personal security of the debtors	52.84.184 11		directors or managers or officers of the banking cortigany or 2ny of them	
NIL	(iv) Debts considered doubtful or bad not provided for.	NIF	13.35,748.86	either severally or jourdy with any other persons. (viii) Maximum total amount of advances	24,03.596 88
				including temporary advances during the year to the companies or firms in which the directors of the banking company are interested as directors.	
			NIL 770,44,606 79	pariners or managing agents or in the case of private companies as members (ix) Due from banking companies	NIL 1.04 38.098 TT
18.05,56,358.13		9.91.68,113 60			

# AUDITOR'S REPORT ON THE INDIAN BRANCH OF THE BANK OF NOVA SCOTIA UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949

porated with Limited Liability in Canada, as at 31st December, 1987 signed by us under reference to this report, and the relative Profit and Loss Account of the Indian Branch of the Bank for the year ended 31st October, 1987 annexed thereto with the books of account maintained and produced to us at Bombay and report as under: We have audited the Balance Sheet of the Indian Branch of The Bank of Nova Scotia, Incor-

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be b) the transactions during the year which have come to our notice have been in our opinion satisfactory.
  - within the powers of the Indian Branch of the Bank;
- c) in our opinion, proper books of account as required by law have been kept by the Branch so far as appears from our examination of these books:

  d) the Accounts of the Indian Branch of the Bank dealt with by this report are in agreement with the books of account,

give a true and fair view in the case of the Balance Sheet of the state of affairs of the Indian Branch of the Bank as at 31st December, 1987 and in the case of the Profit and Loss Account, of the profit of the Indian Branch for the vear ended 31st October, 1987 e) in our opinion and to the best of our information and according to the explanations given to us, the Accounts together with the notes thereon give the information required by the Companies Act. 1956 in the manner so required for Banking Companies and on such basis.

FOR A F FERGUSON & CO Chartered Accountants (Y M KALE)

Pariner

BOMBAY: 3 March 1988

# Impact of Recent Stock Market Upheavals

S K Verghese

The international transmission effects of the stock market crash on the global economy arise from the shrinking of the US markets for exports from the rest of the world. The deceleration of GNP growth rate in the US and the less buoyant economic outlook in other developed countries may make these countries reluctant contributions to bilateral aid and also to resources for the multilateral financial organisations. A further tiering of borrower groups based on creditworthiness is also likely.

DURING the last two years signs of an emerging upheaval in the financial and foreign exchange markets have been evident. The trouble started in the FRN segment of the bond market in the last quarter of 1986. The potent instability in the foreign exchange markets was kept under lid by the Louvre agreement, though somewhat loose, to maintain exchange rates within unpublicised broad target zones. The turmoil erupted in the stock markets and then spread to foreign exchange markets. Since then the markets have been zig-zaging amidst widespread expectations of major economic and financial uphcavals. In fact, inimediately after the stock market crisis most analysts, including the OECD, have lowered their GNP growth projections, particularly for the US. The implications of the recent upheavals on the financial systems are being variously interpreted. Some analysts expect a sharp reversal in the recent trends in innovation and globalisation while others expect an intensification of the process of supervision and controls on banking and finance which are already underway.

### **EXTENT OF THE CRASH**

The softening of the stock market prices commenced in early October 1987. The Dow Jones Industrial Average (DJIA), an index of 30 New York stock exchange stocks, had peaked to 2,746.65 on August 27, 1987 but fell to 2,640.99 on October 2, 1987. During the first two weeks of October the index declined by about 394 points. A precipitous decline started on October 19 with a fall of 508 points in the DJIA and by mid-day on October 20, the slide was as much as 1,000 points or 37 per cent below its August high. Despite the recovery in the next few days the DJIA stood at the end of October 1987 nearly 26 per cent below its August peak level. Broader industrial indexes also registered similar significant declines, for instance the Standard and Poors (S and P) index of 500 stocks declined by 21.8 per

cent, the composite index of NYSE by 21.9 per cent, the Amex (American stock exchange) by 27 per cent and OTC (National Association of Sccurities Dealers Automated Quotations System) by 27.2 per cent. The total decline in the valuation of outstanding US stocks has been placed at about \$ 1.0 trillion. The New York stock market crash set off a global chain reaction as stock prices plunged on all leading stock exchanges, reflecting the interdependency of the stock markets around the world. In recent years there has been a significant cross border investing by market participants in order to diversify their portfolios. The magnitude of the slump varied on different markets. The impact on London was similar to that of New York. Tokyo suffered less due to already existing controls such as daily price limits and larger trading margins. Though the Hong Kong markets were closed for four trading days in the hope that large declines could be avoided, on reopening accelerated declines were witnessed with the Hang Seng index dropping 1,120 points or 33 per cent. The decline was more steep in major European countries (30-40 per cent), Hong Kong (50 per cent), Australia (45 per cent) than in Japan and Canada as seen from the accompanying table. The overall decline in the world equity valuation by the end of December 1987 over its September level is estimated to be around \$1.4 trillion.

### CAUSATIVE FACTORS

Several factors contributed towards the crash; the continuous and the unsustainable level reached by stock prices, the upswing in interest rates, lack of signs of any improvement in the US budget and trade deficits, revolutionary changes in trading techniques being the most important among them. For more than five years the US stock market has been on the crest of a bullish wave and the Dow Jones Industrial Average reached the peak of over 2,722 at the end of August 1987. The price/earning (P/E) ratio has reached a

vulncrable level and a correction in the stock prices was considered inevitable and the question that remained was when and by how much. The actual occurrence of the crash was set off, besides the earlier cumulative structural developments, by the signs of widening trade deficit, lack of progress in reducing the budget deficit and the upswing in interest rates. The circumstance and the manner of the decline have been summed up as follows by the Presidential Task Force on Market Mechanisms (the Brady Task Force, USA):

The precipitous market decline of mid-October was 'triggered' by specific events: an unexpectedly high merchandise trade deficit which pushed interest rates to new high levels. and proposed tax legislation which led to the collapse of the stocks of a number of takeover candidates. This initial decline ignited mechanical price-insensitive selling by a number of institutions employing portfolio insurance strategies and a small number of mutual fund groups reacting to redemptions. The selling by these investors, and the prospects of further selling by them, encouraged a number of aggressive trading oriented institutions to sell in anticipation of further market declines. ...Throughout the period of the decline, trading volume and price volatility increased dramatically. This trading activily was concentrated in the hands of a surprisingly few institutions.

On the other hand, a study by the US Securities and Exchange Commission came to the conclusion that "futures trading and strategies involving the use of futures were not the 'sole cause' of the market break. Nevertheless, the existence of futures on stock indexes and the use of various strategies involving 'programme trading' were a significant factor in accelerating and exacerbating the declines." The study also found that "portfolio insurance selling in stock and futures was significant during the market break, particularly during October 19th and October 20th. ... Much of that stock selling was done by a single large institutional investor that executed large portfolio insurance trades in both the stock and futures markets?

It may be recalled that the use of computer technology has facilitated the development of computerised programmes, that process all related information relevant for use by the market participants. Such programmes also automatically produce buy and sell orders and send these orders to exchanges for execution. This technique, known as programme trading, makes it possible to trade large portfolios in single blocks. The sharp cascading declines in stock prices during the October crash strengthened the belief that programme trading has accelerated the fall. It is also widely held that portfolio insurance trading actually triggered and aggravated the problem. Portfolio insurance is a technique that has been developed recently for hedging portfolio of securities against declines in prices. The wide use of this technique has been facilitated by the existence of stock-index futures markets by which instead of selling/buying actual stocks, the index can be bought or sold and a hedge of the value of the stocks held in the portfolio can be achieved. The practice of buying/selling stock index for speculative purposes is also widespread.

It is important to note that psychology and sentiments play an overriding role in the functioning of stock markets, similar to the foreign exchange markets, more so if the markets have already reached a vulnerable position. The change in sentiments, whatever its proximate cause, can be amplified by the proliferation of innovative trading techniques such as programme trading and portfolio insurance trading. In a market, as it is functioning today, it is an expected behaviour of the market participants that once fear of a collapse grips, all those who have an exposure will rush at once and simultaneously to the exit point, that is selling in the present case.

In the context of persistent and enor mous selling pressures and sharp declines in prices, a failure of the clearing and settlement systems could emerge. This could be compounded by the banking system denying adequate liquidity to the market participants for meeting their settlement obligations, thereby triggering a general collapse of the financial system. The vulnerability from liquidity crunch can be gauged from the fact that during the week of the crash loans by banks to purchase and carry securities, including loans to brokers-dealers as well as mutual funds, increased by almost 50 per cent. To avert a liquidity problem (a lesson from the 1930 stock market crash) the central banks of major countries, particularly the Federal Reserve, the Bank of England and the Bank of Canada, promptly responded by injecting adequate liquidity into the market. However, in the subsequent months the central banks returned to a less accommodative monetary stance fearing a resurgence of inflation. Since the financial markets continue to remain unstable, there is widespread agreement that stable conditions can be restored and the effects of the stock price declines that have taken place hitherto can be minimised only if adequate and concerted corrective measures are forthcoming from the major countries.

### **EFFECTS ON THE ECONOMY**

The stock market crash affects the economy directly, and also indirectly through the International transmission mechanism. The direct impact of the

crash stems from (a) the negative wealth effects, (b) the effects on investor confidence, and (c) the inflationary effects of the immediate and medium term corrective measures. Traditional analysis says that a fall in equity prices will reduce the wealth of equity holders, which in turn will reduce private consumption and expenditure as individuals save more and spend less. This argument is supported by empirical evidence that showed a positive relationship between changes in wealth and the propensity to spend on consumption. The greater is the relationship the higher the proportion of equity held by households and the larger the market valuation of equity relative to GNP. Estimates reveal that since the proportion of equity held by individual investors including investment trusts (about 80 per cent) is greater in North America than in European countries and Japan, (only 20 per cent is held by individuals in Japan) the wealth effects would be greater in the US. According to estimates, the negative wealth effects may eventually lower real private consumption in the US by one percentage point below what it otherwise would have been, with the impact concentrated in 1988 and tapering off by the end of the year. The household consumption spending may be reduced by half a percentage point in 1988 in the UK while the impact on other OECD countries, particularly Japan is estimated to be smaller. Thus, the reduced consumption expenditure is expected to lower US economic growth rate in 1988 by one percentage point to 2.5 per cent and that of the UK by half a percentage point to 2.75 per cent. However, since the market has already recovered a part of the loss in subsequent weeks and since the stock capitalisation even today stands higher than the level a year ago, it is not clear whether the negative wealth effects will be there at all. A general fear of an impending economic depression seems to be gathering strength and that, more than anything originating from the financial market, may eventually influence the consumer and investor behaviour and trigger the actual fulfilment of the prophecy.

The extent of the effects from weaker investor confidence depends on how private investors view the future economic outlook and at the moment private investment expenditure in fixed assets and inventories is expected to be affected only marginally by the stock market upheavals. But the medium-term investment outlook remains uncertain. The liquidity injection in the initial days of the crash was aimed towards calming the market and preventing widespread settlement defaults. The inflationary pressure may be kept partly down by the reduction in the domestic demand and GNP growth. There is also

evidence of a re-focusing of attention in recent months by the central banks on monetary aggregates. Thus, despite conflicting monetary policy objectives, central banks can be expected to achieve a great measure of balancing between the liquidity requirements of the unstable financial markets and the need to curb an upsurge in inflation.

The international transmission effects of the stock market crash on the global cconomy arise from the shrinking of the US markets for exports from the rest of the world. Both, other OECD countries and the developing countries, are likely to be affected by the US market shrinkage. During the last two years Germany and Japan have been under pressure from the US to reduce their dependence on exportled growth by stimulating their own internal demand through appropriate monetary and fiscal measures. The casing of the GNP growth and consequently the import demand in the US may facilitate this process. Unless compensated by a compensatory pick-up in their domestic demand. for which not much prospects seem to be on the cards, the contraction of export markets may in turn lower GNP growth in other OECD countries and the NICs. These developments in the third round may reduce their domestic demand and consequently the economic growth in the developed countries. Despite strong pressures from other countries and multilateral institutions, Germany and Japan are unwilling to act as 'locomotives' for global economic growth. According to OECD estimates the overall direct and indirect effects of the recent fall in equity prices may lower GNP growth in OECD countries by one percentage point during the next two years, the bulk of the impact would be concentrated in 1988. The effects of the crash is expected to pass through the system by the end of 1989. The GNP growth projections for OECD countries

TABLE: MAGNITUDE OF STOCK MARKET DECLINE

	Per Cent
United States	-27
Japan	-13
Germany	-35
France	-30
tialy	-24
United Kingdom	-31
Canada	-18
Switzerland	-35
Australia	-45
Hong Kong	-50

Note: Change in index between end-September 1987 and December 14, 1987. Source: Morgan Stanley Capital International, quoted by Morgan Guaranty Trust Company, World Financial Markets (November-December 1987) 1. has, thus, been lowered to around 2 per cent during 1988 and 1989.

With the reduction in imports due to the decline in domestic demand and lower GNP growth and the boost to exports, as more resources are released for export production, the US trade deficit is expected to narrow. To what extent this will actually materialise is a moot question. A point to note in this respect is that despite the sharp decline of the dollar during the last two years the US trade deficit has actually widened in 1987. How far the small decline registered in recent months will be sustained in the future will depend a great deal on the progress in reducing the budget deficits. According to the Congress Budget Office the deficit for the year 1989 would be around \$ 176 billion without further fiscal action, whereas the budget proposal presented by the president in February 1988 projects the 1989 deficits at \$ 129 billion. There is considerable uncertainty in this respect. Whether the negative wealth effect of the stock market crash will reverse this trend is difficult to be certain at present. Much will depend on how Japanese and German exporters and importers will respond to the emerging situation.

A line of thinking that is gaining widespread acceptance is that, in the absence of adequate and concerted corrective action in the major countries, the renewed turbulence in the financial and foreign exchange markets may portend the risk of a deep recession accompanied by higher interest rates. Most banks and corporate entities do not seem to rate the prospects of effective co-ordination of policies among major countries as high. Partly due to divergent self interests and partly due to legitimate differences in their perception, the major countries will continue to have divergent approaches regarding what is appropriate and adequate to correct the imbalances between their

So far, there is very little evidence of fiscal policy changes beyond those already planned prior to the stock market erash. The much publicised negotiations in the US Congress for a budget package in the place of the Gramm-Rudman mandated deficit cuts, which gained intensity in the week immediately following the stock market crash, have finally failed to promise anything more than \$ 30 billion deficit cuts in 1988 and 1989. In Germany the three year DM 21 billion lending programme, bolstered by an interest subsidy of DM 200 million, announced for municipalities, small and medium industries is not expected to achieve anything more substantial than substituting private credit with cheaper government credit. Similarly, in Japan the buoyant economic growth in

### POLYOLEFINS INDUSTRIES LIMITED

BOMBAY

### NOTICE

It is hereby notified for the information of the public that Polyolefins Industries Limited, Mafatlal Centre, Nariman Point, Bombay 400 021, proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-section (2) of Section 22 of the Monopolles and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new unit. Brief particulars of the proposal are as under-

1. Name and address of the applicant .

POLYOLEFINS INDUSTRIES LIMITED Mafatlal Centre, Nariman Point, Bombay 400 021

2 Capital structure of the applicant organisation

Authorised Capital, Rs. 12,86,85,700

Unclassified

· Rs. 2,13,14,300

Total

- Rs 15 00 00 000

Issued and Subscribed Capital

Equity

Rs 12,86,85,700

3. Management structure of applicant organisation indicating the names of the Directors, including Managing/Wholetime Directors and Manager, if any

1 Mr Arvind N Mafatlat, Chairman

2. Mr G. Kreiner 3 Dr H G Janson

Mr D Cron

5 Dr E Baltin

6 Mr H J Alkema

7 Mr N M Wagle

8 Mr Balkrishna Harivallabhdas

9 Mr S Jagannathan

10 Dr G V K Rao

11. Mr Hrishikesh A. Mafatlal

12 Mr M S Patwardhan

13 Dr N M Dhuldhoya, Managing Director

14. Mr D. A Blaesing, Deputy Managing Director

15 Dr S N Sur, Technical Director

16 Mr F A Honigmann (Alternate to

The new unit will be located at our Polymer Division.

Thane Belapur Road, Thane, Maharashtra

Dr. H. G. Janson)

4 Indicate whether the proposal relates - The proposal is for establishment of a new unit for to the establishment of a new under- the manufacture of the products mentioned herein taking or a new unit/division

5 Location of the new undertaking/ unit/d:vision

6 Capital structure of the proposed undertaking

I in case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/ articles, indicate

(i) Names of goods/articles

Ethylene Propylene Monomer (EPM)

Ethylene Propylene Diene

Monomer (EPDM)

(ii) Proposed licensed capacity

(iii) Estimated annual turnover

10,000 MT per annum Rs. 24 crores.

Not Applicable

8 In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc

Not Applicable

9 Cost of the Project

. Rs. 1B.5 crores

10 Scheme of finance, indicating the amounts to be raised from each source

The company proposes to meet the project cost from the internal generation of resources. As regards foreign exchange requirement, the company will endeavour to arrange suppliers credit/foreign exchange loan/credit from Financial Institutions. For working capital, the company will be approaching the Banks.

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest

Dated, the 17th day of March, 1988.

POLYOLEFINS INDUSTRIES LIMITED

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P. J. Desal Secretary the second half of 1987 and the increase in money supply (due to massive intervention in the foreign exchange markets) have lulled efforts for any further measures to employ budget deficit as a lever to boost the economy.

### **EFFECTS ON FINANCIAL MARKETS**

Even before the onset of the stock market turmoils there has been grave doubts among financial analysts about the real benefits of the revolutionary product sophistication and globalisation taking place in the financial systems. Several influential central bankers also hold the view that though some of the market changes are useful and unavoidable to keep pace with the changes in the real economic sectors, several of the new products serve no useful purpose other than enabling the market makers to earn profits by playing the market. An idea of the competitive environment that spurs the changes can be had from the following observation by Takeshi Ohta, the deputy governor of the Bank of Japan: "...among the globalised financial markets, which are nothing but the outcome of financial liberalisation, the liberalisation feeds on itself in order for national markets to survive global competition, in other words, to prevent further deindustrialisation of their national markets." Similarly, the nature of the financial changes and their risk potential have been vividly highlighted by Gerald Corrigan, the president of the Federal Reserve Bank of New York in his address to the Overseas Bankers Club, London as follows: "...rapid advances in the application of telecommunications, sophisticated mathematics and computer technology to banking and finance have introduced new elements of speed and complexity into the market place and in the process have amplified incentives to take advantage of domestic and international differences in laws, regulations, and tax and accounting practices. If it can't be done on the balance sheet, it is done off the balance sheet, if it can't be done on-shore, it is done offshore and if it can't be done with a tried and tested instrument, it is done with a new one. The potential for risks and the effects a turmoil in one segment of the market can have on the entire worldwide financial systems have to be viewed in these context.

Fearing that a failure may emerge in the clearing, settlement or the credit system and may engulf the entire financial markets prompted quick and simultaneous response in October from several central banks. The injection of liquidity, as well as the resultant lowering of interest rates, helped for the time being to contain the turmoil. The danger is that this limited

success may lull policy makers from initiating more durable and fundamental measures to give an underlying sense of direction to the financial markets. Since, on the trade fronts, an improvement is an uphill task, major countries may be reluctant to halt the competitive liberalisation of financial markets. Therefore, it is unrealistic to expect a reversal of the liberalisation and innovative process now sweeping the financial markets. However, an intensification of national supervision and controls and growing efforts for developing international norms of supervision and controls and growing efforts for developing international norms of supervision of banks and other financial intermediaries can be expected in the near future. Any significant progress in achieving a consensus on supervisory norms also would be slow in view of the national conflict of interests and the reluctance of powerful market participants to accept any curb on their functioning. The Brady Task Force has highlighted the need for certain curbs on the trading systems and procedures. The main controls recommended by the Task Force include:

- —One agency should co-ordinate the few, but critical, regulatory issues which have an impact across the related market segments and throughout the financial system.
- Clearing systems should be unified across marketplaces to reduce financial risks.
- —Margins should be made consistent across marketplaces to control speculation and financial leverage.
- —Circuit breaker mechanisms (such as price limits and co-ordinated trading halts) should be formulated and implemented to protect the market system.
- Information systems should be established to monitor transactions and conditions in related markets.

Already criticisms are mounting against any such curbs. Today the political will, and even the inclination, to introduce effective supervision of the national systems are lacking. If controls are introduced at all, they may come in piece-meal making them outdated to face the requirements of fast changing financial markets. Thus, the current outlook is that the process of financial innovation and liberalisation will continue unabated with the market participants affected by the recent turmoil themselves opting for some degree of self regulation and the supervisory agencies persisting in their efforts to set up more effective supervision and control systems, including renewed initiative to develop a common code for supervising security and security index related trading, international linkages for clearance and settlement, reporting mechanisms and capital ratios and trading margins, etc, for market makers in stocks, stock index and other related hedging instruments. The slow progress of the BIS Committee on Banking Regulations and Supervisory Practices (Cooke Committee) in bringing about a convergence of capital measurement and capital standards is a pointer that not much can be expected at least in the near future.

### IMPLICATIONS FOR INDIA

Since the financial markets of India are by and large insulated from the global markets, the direct impact of the stock market crash on India is marginal. During the last two years the stock markets of India have been going through a 'boom reversal' phase due to domestic reasons and the global pessimism can prolong these sentiments. But the more important effects of the global stock market turmoils on India come via the international transmission mechanism. The negative wealth effects of the crash and the resultant dwindling of the market in OECD countries, particularly the US which is an important trade partner of India, can affect the markets for Indian exports. In the absence of adequate and appropriate corrective measures if a recession ensues, the problem for India, as for other developing countries would be aggravated. In the context of the current policy initiatives, it is unlikely that Germany and Japan will compensate the US slack and act as an 'engine of growth'. Since the US markets absorb as much as two-thirds of the exports of manufactures from developing countries, the impact of the crash on developing country exports can be significant. Exports of luxury and semi-luxury goods such as precious and semi-precious stones, leather manufactures, ready-made garments and handicrafts from India may face reduced markets in the US.

The deceleration of GNP growth rate in the US and the less buoyant economic outlook in other developed countries may make these countries reluctant contributors to bilateral aid and also resources for the multilateral financial organisations. In the extremely uncertain financial environment, a further tiering of borrower groups based on creditworthiness is likely and India, though has been able to secure finer borrowing terms so far, will have to watch carefully her debt servicing capacity. In the strategy for a cautious management of her external payments position. a rethinking on India's import liberalisation should assume importance as a substantial increase in exports is difficult due to the unfolding, uncertain and unfavourable international economic and financial scenario.

### Against Chauvinism in Sri Lanka

Bastiaan Wielenga

Sri Lanka: The Unfinished Quest for Peace edited by L Piyadasa; Marram Books, London 1987; pp 139.

THIS book is a useful follow-up on an earlier publication by the same editor Sri Lanka: The Holocaust and After which appeared after the massacres of July 1983. After the Indo-Sri Lanka Accord of July 1987 the editor and his or her co-workers decided to replace the earlier work which has gone out of print by this updated study.

The authors represent the views of progressive Sri Lankans who have been struggling against the rising tide of chauvinism, racism and state-terrorism over the last decades, in defence of a democratic, multiethnic, multi-religious polity and society. Their views are close to those of the Movement for Inter-Racial Justice and Equality (MIRJE), the Committee for Rational Development (CRD), the Citizens' Committee for National Harmony, Women for Peace and similar organisations. The critique of the book is targeted on Sinhala Buddhist racism and on the anti-democratic policies of the J R Jayawardene regime as the main factors which have undermined and almost ruined Sri Laukan society.

A survey of the formation of the 'Sri Lankan People' (chapter 2) with its mingling over many centuries of individuals, families and groups of migrants and settlers dismisses the theory of a perennial Sinhalese-Tamil racial divide as a phantasy product of recent racism. Only the Tamil plantation labourers introduced in huge numbers in the 19th century by the British colonial power could not be assimilated in the same way and were settled separately. Chapter 3 refers to some of the developments under British rule, such as the role of white racism, the formation of a colonial elite and the creation of economic and political conditions for today's communal conflicts, under the title 'Losing the Way to an Independent Sri Lanka'. The next chapters characterise the Post-Independence development of despotism (chapter 4), of the politics of violence (chapter 5) and of the growth of an 'Anti-People Economy' (chapter 6) before turning to the question of racial discrimination and oppression (chapter 7).

The thrust of the argument in chapter 7 is that racial discriminatory policies were implemented in a systematic manner only from 1956 onwards. The disfranchisement of a large section of the Tamil working class in 1948 had a racial dimension, but it was as much a move of anti-working class politics. It was supported by several representatives of the Tamil bourgeoisie, while 22 out of 32 who voted against it in the parliament

were Sinhalese, mainly but not exclusively from the left. The schemes for the settlement of farmers from densely populated areas in the long-neglected dry zone in north-central and north-east Sri Lanka were rational from an economic point of view, and ominous only as soon as a common commitment to a multi-ethnic Sri Lanka could no longer he presupposed. The book leaves it as an open question whether and to what extent already in the thirties these schemes were planned and implemented with a racist purpose in mind. The argument that violent anti-Tamil racism has been a recent phenomenon could have been strengthened further by referring to studies of Sinhala-Buddhist consciousness which have shown that its earlier targets were not Lankan Tamils, but privileged Christians (riots of 1883), Muslim traders (riots of 1915), Indian Tamils (from 1928 onwards) and Malayalee workers (after 1930). Lankan Tamils became the target of Sinhala-Buddhist chauvinism in 1956, the year of the Buddha Jayanthi and the Sinhala Only agitation. (See for this Kumari Jayawardena, Ethnic and Class Conflicts in Sri Lanka, 1985; and Committee for Rational Development, The Ethnic Conflict, New Delhi, 1984.)

The main steps on the road towards increasing racial discrimination after the Sinhala Only legislation were the transformation of the police and the armed forces into the anti-Tamil forces of a Sinhalese state apparatus from 1961 onwards; the racially biased education in segregated schools; and the sponsoring of pogroms in 1977, 1981, 1983. The mechanisms of these pogroms are carefully analysed in chapter 8 about the 1983 holocaust which indeed needs to be remembered.

Chapters 9 and 10 discuss to what extent Tamils and Sinhalese have contributed to the escalation of racist confrontation. It is argued that the communal orientation of the Jaffna-based Tamil Congress in the 1940s and of the Federal Party in the 1950s unnecessarily contributed to the strengthening of Sinhala-Buddhist racism. However, they got mass-support only after 1956 in response to the discriminatory policies of the Sinhala-Buddhist majority. What happened in the 1970s and 1980s, the formation of the TUF and TULF followed by the emergence of armed Tamil Eelam groups, has to be understood as response to the repressive racist. policies for which the Sinhalese majority bears the responsibility.

The authors reject in strong terms Sinhala-Buddhist racism as promoted by colonial policies, nurtured by the Nazi myth of a

superior 'Aryan' race and kept alive by irrational fears and false assumptions. It is seen as a misguided search for a post-colonial ethnic identity which in Sri Lanka's multiethnic society must lead to genocide. That is the final implication of the policies pursued during the last 25 years. The authors also oppose the option for Tamil Eelam, as it represents a minority racist claim in response to a majority racist claim, and as it implies the creation of new minorities and their degradation to second class citizens. One could add that a successful separate Tamil state—unlikely as it is and always has been-would have to be a permanently militarised bastion.

The Sinhalese have no reason to fear the Tamils with whom they have mingled and lived together for many centuries, but their concern about the big neighbour India is realistic, the authors submit. However, it was Sinhalese racism having obscured "the fact that Sri Lankan Tamils have much more in common, racially as well as politically, economically and socially, with other Sri Lankans than with Indians" (p 116) which has undermined the independence, territorial integrity and unity of Sri Lanka. the regime which promoted this racism has opened up the country to powerful transnationals, to the US, Pakistan and Israel, and finally had to turn to India, forced by a complex set of economic, political and military factors. The authors agree with those-whom otherwise they have been very critical of, i e, the Sinhalese opponents of the Indo-Lankan Accord—that this 'stop-gap solution' is an unfortunate one. It will not bring the genuine peace and justice which is needed. However, they welcome the opportunities created by the Accord to pursue the political struggle for a real solution. The Accordthe text of which can be found in chapter 1acknowledges that Sri Lanka is a multiethnic and a multi-lingual plural society. The authors call for participation in the political struggle against the racism of UNP and SLFP through elections, restoration of democratic rights, relief and rehabilitation, and systematic promotion of anticommunalist, anti-racist arguments and practices.

This book was written before the fighting between the IPKF and the LTTE broke out in October 1987. What has happened since then has turned many initial supporters of the Accord into its opponents. It seems to me, however, that the argument of the authors remains valid, though the course of action they suggest in the present situation has become much more demanding and dangerous. The opponents of the Accord in Sri Lanka are chauvinistic forces, the JVP and the SLFP on the one side and the LTTE on the other side. The polarisation between Sinhala and Tamil chauvinism and the proliferating use of terroristic means by JVP,

LTTE and other forces is the surest way to provide a pretext for a permanent Indian presence. The only chance to get out of the present bloody mess is to set political processes in motion. Leftists and democratic Lankan nationalists have a common cause. The provincial elections offer a possibility to posit a political agenda which is not exclusively dictated by the ethnic conflict and which addresses some of the burning economic and political problems in a class perspective, while the devolution of power on a provincial basis provides a reasonable starting point for the settlement of the Tamil demands. The formation of the United Socialist Alliance in which the LSSP, CP, SLMP, and NSSP join hands with EPRLF and PLOT is a hopeful sign that it is possible to build up an anti-communal democratic leftist force. The cowardly murder of the leader and presidential candidate of the Alliance, Vijaya Kumaranatunga, who has been a courgeous representative of a new generation of anti-chauvinistic democratic forces in Sri Lanka, confirms that the JVP does not feel sure that it can win over and control the young generation by the strength of its chauvinistic propaganda. The mass rally on Independence Square where an estimated five lakhs of people paid their

tribute and honoured Vijaya Kumaranatunga was a highly impressive and fitting response to those who had murdered him as a 'traitor' because of his support to the Accord. Speakers of all the constituents of the Alliance confirmed thei commitment to the struggle for a democratic Sri Lanka. It was particularly impressive to hear—via Sri Lanka radio—the EPRLF representative, speaking in Tamil and Sinhala, presenting the Tamil cause and pledging to join in a common struggle.

Many militants from Tamil Eclain groups are critically rethinking their experiences. The new alliance may offer them an opportunity to continue their struggle on a new basis with a meaningful political perspective and by political means. The terroristic anarchy which has developed-and which reminds one ominously of the conditions which led to the rise of fascism in Italy and Germany-can be countered only by broad united fronts of left and democratic forces regaining the political initiative. Progressive forces in India can help in the process by refusing to discuss Sri Lankan history and politics only in terms of the present Sinhala-Tamil antagonism and by extending support to the anti-chauvinistic forces in Sti Lanka.

Price-setting for farm products, Nadkarni has not the least doubt, is as much a political as an economic exercise. He breaks new ground in trying to establish a linkage between the economic demands enunciated by different farm lobbies operating in the country and the political and social base of such lobbies. There is a detailed study of the morphology of the Karnataka Rajya Ryota Sangha: similar movements elsewhere are not neglected either. Nadkarni ends his story in 1984: therefore, while the Bharatiya Kisan Union is listed all right, Mahinder Singh Tikait does not make his entry. Sharad Joshi will have no cause for complaint though: the movement led by him receives adequate coverage, whatever the author's assessment of its worth and significance. In Nadkarni's opinion, class and caste fac-

In Nadkarm's opinion, class and caste factors have, in several instances, converged. The upper classes have succeeded in capturing the leadership of most of the farmers' movements, and since they by and large constitute the land-owning classes, the agitations have in effect been transformed into rich farmer lobbies par excellence. The predilections of one or two individuals within the movements, who might have intended otherwise, have not meant for any difference. Viewed objectively, the inovements nearly everywhere have been rendered into a vehicle of class war on behalf of the relatively affluent, and the poorer peasantry invariably left out of the calculations.

This denouement persuades the author to conclude that the so-called rural-urban conflict in agricultural price fixation is much overdrawn. Farmers' movements may or may not have their genesis in the raising of the banner of revolt against the machinations indulged in by the urban industrial bourgeoisic, who supposedly want to keep farm prices depressed for ever and thereby further their own sectarian interests. But allianees are soon forged between urban capitalists and spokesmen of the farm lobbies, and a format of sequential compensations, to be paid out of the national exchequer, is mutually agreed upon. The rich farmer gets his high price and subsidised inputs, the industrialist gets his duty drawbacks and once more subsidised inputs, it is only the impoverished peasantry who are left in the lurch. The ambivalence of the ideologybased political parties on the farm price issue has not served the cause of the raral proletariat. Even the agitations organised in some of the southern states by the so-called dalits have not been free from this ambivalence.

Canned speeches in parliament and seasonal rasta rokos notwithstanding, who is exploiting whom in the Indian countryside therefore remains very much an open-ended subject, and what long-term consequences such exploitation is likely to have on Indian economic growth will cominue to belong to the realm of speculation. It is to the credit of Nadkarni that his book encapsulates most competently the current state of the debate.

### The Richer Farmer Lobby

Ashok Mitra

Farmers' Movements in India by M V Nadkarni; Allied Publishers, 1987; pp 237 + xiv, Rs 100.

TO each epoch its specific controversy. Till about the early 1970s, Indian economic literature contained scarcely one reference to agricultural price policy and its impact on the general growth process. But the milieu changes. Suddenly, during the past dozen years, this particular theme has been threatening to crowd out others. Analysts have donned the role of partisans. Formal rigour has not been dispensed with; at the same time, considerable ingenuity has been brought to bear to prove this or that hypothesis in regard to agriculture-industry terms of trade. The history of economic thought-and of economic praxis-has been rifled through to secure evidence of support for or against positions held. Factors underlying Ricardo's crusade against the Corn Laws have been referred to with almost the same frequency as those central to Stalin's decision on forced collectivisation in the Soviet Union. Heat has often accompanled light. But that can also be taken as a tribute to the grand relevance of the subject under discussion.

The controversy has proved at least one major, even if incidental, point: polemics need not always part company with scholastic excellence. Depending upon their system of values, economists involved in the debate have urged in convincing fashion the case

they have been supporting, and they have been able to do so without sacrificing their reputation. True, some sleights-of-hand have turned out to be inevitable, for example, in the measurement of the direction and thrust of terms of trade movements, in the choice of the base year and the end-point of time series, or in defining the orbit of a class. Combatants nevertheless deserve congratulations; they have rarely gone overboard. There has been no question here of going gentle in the night, rather, there has been some magnificent raging against the dying of the day. And yet, economic analysis has not altogether lost out.

M V Nadkarni faithfully surveys the terrain of the on going controversy. He has his own point of view. A firm non-believer of the proposition that raising farm prices across-the-board could be surrogate for the secular task of improving agricultural productivity, he has also a considerable lot to say on the nature of market dependence of small farmers and agricultural workers. However, while he sets out his own position in clear enough terms, Nadkarni is scrupulously courteous to his ideological opponents too. This comprehensiveness should make the book good reading material at college and university levels.

But the book ventures to reach beyond.

# Some Aspects of Cultural Reproduction and Pedagogic Communication

Meenakshi Thapan

This paper is an attempt to critically examine the thesis on cultural reproduction based essentially on the work of Pierre Bourdieu. This is done in response to the criticism levelled at theorists of cultural reproduction by 'resistance' theorists that their theory is deterministic and pessimistic in nature as it does not allow for individual intervention—resistance—and social change. The author argues that this is a limited view of cultural reproduction inasmuch as a careful reading of the work of Bourdieu, for example, indicates the possibilities for individual determination and 'contained' transformation, as it were. A critical consideration of certain key concepts central to Bourdieu's thesis, such as 'habitus', 'class', 'capital', and 'field', seeks to develop this argument contra that of resistance theory.

THE debate on theories of cultural reproduction and alternative theories of resistance is concerned with the work, on the one hand, of Althusser, Bowles and Gintis, Bourdieu, and Bernstein, and on the other hand, with that of Apple, Anyon, Giroux, Willis, and others. Theorists of cultural reproduction are criticised by resistance theorists for supporting the current social order inasmuch as individual action is limited to acceptance and capitulation and the work is therefore considered inadequate for providing the ground for a radical theory that takes into account individual intervention and social transformation. Althusser is taken to task, for example, for his "undialectical treatment" of the concept of ideology which results in a 'static' view of schools and other social sites as he considers them free from conflict or contradiction. He is also criticised for a notion of power that "appears to eliminate human agency" [Giroux 1983a: 82 ff; see also Giroux 1983b ff and Willis 1983: 115 ff]. Similarly, Bowles and Gintis's early argument is viewed as favouring a "correspondence model" in which the individual gets dissolved within a paradigm of the social relations necessary for capital accumulation, thus ignoring the complex manner in which working class identity is constituted (ibid).

As an alternative, Willis poses and emphasises his notion of "cultural production", differentiated from social and cultural reproduction and defined as the "processes of meaning making, the alternative knowledges, the activity, creativity and social promise of subordinated groups" in an "internal and dialectical relation with the structures of a capitalist and patriarchal society" [1983: 108; see also Willis 1981]. It is from this viewpoint that Bourdieu's theory of cultural reproduction is seen as excluding the dominated who are therefore 'dispossessed', as it were, of culture altogether in Bourdieu's apparent concern with the dominant bourgeois culture [ibid]. His work is also considered pessimistic as it neglects the "transforming" aspects of culture and focuses only on those elements of society that structure important distinctions between and within classes. He is criticised further for his "one-sided treatment" of ideology inasmuch as a theory of struggle and imposition, i e, the dialectical creation, resistance and accommodation of individuals to dominant ideologies, is excluded from the analysis. Finally, Bourdieu is dismissed for presenting a "gloomy, enclosed, Weberian world of no escape" and for the theoretical lack of a "politics of change, for the production of alternative or radical consciousness" [Willis 1983: 121; see also Giroux 1983a: 90 ff].

The work of Bernstein is subjected to similar criticism but is momentarily commended (by Willis at least) for providing the space for "an analysis of informal forms of the school, for the contradictory processes of culturat production" in his discussion of the possibility of a break between education and production systems. There is thus "the possibility of the school not functioning unproblematically as whatever variety of the ISA, but as a site, of contradictions and larger processes with cultures and differences which are no part of its official purposes" [Willis 1983: 122]. However, Bernstein is also finally dismissed for having apparently surrendered, like Bourdieu, to "a version of domination in which the cycle of reproduction appears unbreakable" (Giroux 1983a: 98]. All these theories are ultimately seen as using the notion of power synonymously with domination without allowing space for struggles through power or considering the different sources of power and Willis concludes that in such theories, "pessimism, in different forms, reigns supreme" [1983: 122].

Resistance theorists claim to provide a solution to the problem of bounded circularity inherent in the notion of reproduction through their analysis of individual action and opposition to the dominant ideology, cultural intervention and ultimately social transformation. On the basis of insufficient empirical evidence, Anyon, for example, argues that "class conflicts in educational knowledge and its distribution... [are reflected] in student resistance to this class-based curriculum" [in Hargreaves 1982: 114]. In her study of five

different class-based schools in the US, Anyon indiscriminately applies the category 'resistance' to almost all forms of pupil activity that does not count as adherence to the teacher's demands, for example, putting a 'bug' in another pupil's desk is considered 'active resistance' [ibid: 113]. Hargreaves criticises the work of resistance theorists such as Apple and Anyon for not even providing an accurate definition of 'resistance' primarily because of their political commitment to social transformation which colours their analysis in their search for examples of pupil resistance that will cohere with this commitment rather than generate a precise definition.

Willis's thesis on cultural production is based on his faith in the effectiveness of the 'human agency' to counter the deterministic nature of structures. In his study of a group of working class boys in a boys' school in England, Willis depicts the process in which a "male, proletarian counter-workplace culture is mediated, via family and neighbourhood, to the school emerging in combination with elements drawn from other sources as a counter-school culture—the culture of 'the lads'" [Walker 1986: 60]. What Willis omits to point out is that this counter-culture is 'manualist' (i e, "rejecting the liberal curriculum of the school and its promises of upward mobility to mental rather than manual work"), 'sexist' (celebrating "oppressive, predatory and dominating relations with females") and 'racist' (asserting the superiority of the white English over people of Asian and West Indian origin) [ibid]. Moreover, as Walker points out, Willis's theory of cultural production is an extremely elaborate construction incongruent with historical and sociological evidence in general and his own ethnography in particular. It offers a romanticisation of resistance, the theoretical source of which is viewed by critics as being a romanticisation of culture. Moreover, there is some disagreement among resistance theorists themselves and Giroux, in particular, who attempts to refine and elaborate the theoretical ground for resistance theory, appears to move away from the work of Willis and others in his discussion of a "critical pedagogy" and "citizenship education" as a more realistic form of resistance [see, for example, Glroux 1983a].

Such criticism apart, I would like to argue in this paper that the resistance theorists' view of reproduction theory (I am here concerned only with the work of Bourdieu) is misdirected and in fact redundant on several important points. For example, at one level. the entire gamut of Bourdieu's work is not sufficiently examined and criticism is generally based on only one aspect of his work, viz, that which is directly or indirectly concerned with the French education system and the arguments presented in Bourdieu and Passeron [1977]. It is important to first consider the significance of Bourdieu's work not only in relation to education but in the context of the vast range of its application in varying contexts and fields, recognise its ground in several intellectual traditions and then attempt to view it in its totality. It may then be possible to arrive at an adequate understanding of what is meant by reproduction in Bourdicu's work and the repercussions this might have for analyses of educational practice. It would then appear probable that while Bourdieu does not address himself to the questions posed by resistance theorists, for example, that of cultural production, as formulated by Willis, the theory is capable of doing so. Briefly, this can be indicated on two points. First, habitus is a mediating concept between structures and practice and therefore the relationship between structures, habitus and practice is not circular, but dialectical, as pointed out by Bourdieu himself [see, for example, Bourdieu 1977a: 72]. This has implications for the place of individual will and manoeuvrability although its limits are always defined by Bourdieu. Nonetheless, he does view the habitus as the "geometrical locus of determinisms and of an individual determination, of calculable probabilities and of livedthrough hopes, of objective future and subjective plans" [Bourdieu 1968: 705, emphasis added]. Practice can thus be seen as being dialectically produced, formulated anew each time through the cycle of reproduction. Secondly, it may be possible to discover that which is not reproduced wherein lies the possibility for individual action, intervention and change (see Harker 1984 for a prelimlnary discussion). Finally, the crucial criterion for change, as perceived by Bourdieu, is individual awareness or knowledge of the conditioning nature of habitus and the function of other social categories. It is in this sense that "knowledge of the social world, and, more precisely, the categories that make it possible, are the stakes par excellence, of political struggle, the inextricably theoretical and practical struggle for the power to conserve or transform the social world by conserving or transforming the categories through which it is perceived" [Bourdieu 1985: 729].

At another level, resistance theory can be questioned with reference to the use of the term 'reproduction'. Until now, reproduc-

tion theorists and their critics have concerned themselves only with transmission processes and the nature of individual resistance or accommodation to them. More specifically, as Bernstein points out, they "appear to be more concerned with an analysis of what is reporduced in and by education than with the medium of reproduction; the nature of specialised discourse. It is as if the specialised discourse of education is a voice through which others speak (class, gender, religion, race, region), as if pedagogic discourse is itself no more than a relay for power relations external to itself, a relay whose form has no consequence for what is relayed" [Bernstein 1986: 206]. In order to understand 'pedagogic communication', which is what reproduction theory is all about, it is necessary to examine both 'the relay' ("the condition for the reproduction of the elaborated code") and 'what is relayed' ("constituting the modalities of the code elaborated") (a crucial distinction made by Bernstein in [1986 and 1987]. This is possible when there is a theory that can deal with both 'relations to' and 'relations within' pedagogic communication. It is in Bernstein's recent work [1986 and 1987] that we find an analysis of the intrinsic nature of pedagogic communication as well as of the various possibilities or different modalities of its realisation. It would seem that both Bourdieu and Bernstein are concerned with two aspects of the same problem, viz, pedagogic communication, although their approach to the problem and their methods of analyses are entirely different. I am here, however, concerned only with Bourdieu's thesis on cultural reproduction and examine Bernstein's work elsewhere.2

### П

Bourdieu's theoretical approach is eclectic in nature as he is influenced by the work of such diverse social theorists as Durkheim, Weber, Althusser, and the structuralist tradition in France. Bourdieu's concern with 'reproduction' in general, or his elaboration of 'capital' and its different forms in particular, has been construed by some as indicative of a theoretical link with Marx. Although Marx originally posed the problem of the production and reproduction of the capitalist relation [1887: 531-542], it was Althusser who developed the idea with respect to the role of social institutions in the process of reproduction [1971: 123-173]. The school is identified as an "ideological state apparatus" inasmuch as it is used for the reproduction of the capitalist relation through submission to the ruling ideology primarily through repression which, Althusser points out, need not always be explicit and may 'ultimately' take a 'symbolic' form. It is the development of the idea of the symbolic nature of the repression that has resulted in Bourdieu's notion of 'symbolic power' that is central to an understanding of his work. Briefly, the "instruments of symbolic power" as the "structuring structures" are the "instruments of knowledge-myth language, art, scienceand construction of the objective world", as "structured structures", they are "the means of communication e g, language/culture v speech/conduct" and as "instruments of domination', they constitute power imposed through the social division of labour, the division of "ideological labour" (manual/intellectual, thinkable/unthinkable) [Bourdieu 1977b: 112-119]. It is important to note that the effectiveness of this symbolic power lies in the recognition ol its legitimacy, i e, if it is not recognised as arbitrary. The transmutation of power relations is therefore, possible by bringing about "the misrecognition (i c, the non-recognition which constitutes recognition of legitimacy)" [1977: 118]-and which, according to Bourdieu, is 'primary cognition' [1984: 172]-of the power relations which they contain.

The key concern in Bourdieu's work lies in a statement he made in 1984 where he argues, with respect to class practice, that analysis tends to initially conceal the "unity hidden under the diversity and the multiplicity of the set of practices performed in fields governed by different logics and therefore inducing different forms of realisation, in accordance with the formula: "(habitus) (capital) + field = practice" [Bourdien 1984: 101]. His work is an attempt to uncover this unity and the formula summarises the central questions that Bourdieu raises in his varied writings on the French education system, the Kabyle in Algeria, or the dominant French culture.

To begin with, Bourdieu's theoretical endeavo ir is to provide an alternative to "objectivist' and 'phenomenological' or 'ethnomethodological' modes of theoretical knowledge. His criticism of these theories is pointed at their extreme emphasis on either the "primary experience of the social world" or the "objective relations... which structure practice or representations of practice" [1977a: 3; see also Bourdieu 1973]. Bourdieu posits a third mode of theoretical knowledge for understanding social reality, viz, "praxeological knowledge", which is knowledge about the interaction between individual actors and objective structures. This theoretical mode not only takes account of objectivist forms of knowledge but also "with the dialectical relationships between these objective structures and the structured; dispositions which they produce and which w tend to reproduce them, i e, the dual process of the internalisation of externality and the externalisation of internality" [Bourdien] 1973: 53]. The subject (individual actors) and the object (objective structures) and the dialectical relationship between them is therefore Bourdieu's central concern. He in here attempting to solve the eternal problems created by the opposing forces of essent. tialism and determinism. This is primarily done through the concept of habitus which mediates between the subejet and the object and is therefore crucial to the theory.

The concepts of habitus, class, and culture, always in relation to 'fleld', are the key concepts with which Bourdieu works, the remaining concepts emerging from these. I

am, therefore, only concerned with a discussion of these concepts (based on Bourdieu's early, as well as more recent, work available in English) insofar as these are central to any discussion of a theory of pedagogic communication. Bourdieu derives the concept of habitus from Panofsky's notion of 'mental habit' which he defines in "its precise scholastic sense as the principle that regulates the act" [1951: 21]. Panofsky uses the term to identify the relation between scholasticism and gothic art and architecture which he describes as a "genuine causeand-effect relation" established through the "spreading of a mental habit", i e, to establish the "unity of truth", "elucidation or clarification" became the "first controlling principle of Early and High Scholasticism". This principle communicated itself to almost every mind engaged in cultural pursuits; and it grew into a mental habit that was applied most thoroughly to architecture.4

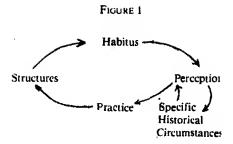
Bourdieu had, in earlier works (for example 1968 and 1973), made preliminary remarks on the concept of habitus but his first major exposition (in English) is with Passeron [1977]. In this work, Bourdieu and Passeron attempt to provide the foundations for a theory of "symbolic violence" using the French education system as their data base by establishing the importance of the "primary habitus" that is developed in the family, is characteristic of a group or class and is the basis for the subsequent formation of any other habitus. In the definition of habitus in this work, the important points that emerge are: that habitus is a generative principle uniting structures and practice (and in that sense, integrating structures and practice); that one of the important modalities of its transmission is education; that the transmission is seen as being effective only when certain criteria are fulfilled, viz, when the habitus it produces is durable, transposable and exhaustive; that the culture, ideology and politics of dominant groups or classes are produced and reproduced through habitus; and that this takes place through meconnaisance or misrecognition of objective culture as "cultural arbitrariness" and in fact as the dominant cultural arbitrariness [Bourdieu and Passeron 1977:

According to this definition, it would appear that habitus has a circular mechanism. i e, it is the result of certain dominant structures which orient its generative capacities In a particular direction of practices which result in the production and perpetuation of certain dominant structures that again Influence the constitution of habitus, and so on. Secondly, there is a sense of finality in this definition of habitus, i e, transmission takes place primarily through imposition, inculcation and exclusion [Bourdieu and Passeron 1977: 41] which allows little scope for individual deviation. This enforces the legitimacy of the dominant culture and the group as well as, equally important, it excludes the subject's own culture by proving its illegitimacy. In such a situation it appears that the individual subject or actor has no choice other than to operate within the constraints of the habitus which is determined essentially by the language and culture of the dominant social group.

In his next major formulation of habitus however Bourdieu made a significant shift from viewing it as that generative principle which unites or integrates structures and practices to that which has a dialectical relationship with structures and practice [see, Bourdieu 1977a: 72].6 Such a relationship implies that "objective structures arc themselves products of historical practices and are constantly reproduced and transformed by historical practices whose productive principle is itself the product of the structures which it consequently tends to reproduce" [Bourdieu 1977a: 83, emphasis added]. Harker [1984] points out that the main point is that habitus is a "mediating construct, not a determinate one' and we can therefore, have the following tigure, keeping in mind that the specific historical circumstances take on the attributes of structures in their turn. Following this argument, practice is not merely habitus or through it. objective structures, since historical circumstances play their part in its generation. Nor can it be reduced to historical circumstances alone as the perception of these is filtered through the habitus. According to this viewpoint, practice is therefore a "dialectical production, formulated anew each time in the cycle". The point that is emphasised is that reproduction is never perfect and there is always the possibility of a compromise with specific historical circumstances and it is "in this dis-continuity, this gap, that production is possible, that human agency has room to move" [Harker 1984: 121].

The dialectical relationship between structures and practice, mediated by habitus, also allows the scope for collective action. It is in this sense, following Fox, that "habitus portrays social life and cultural meaning as a constantly developing practice, akin to the conception of culture as always in the making" [1986: 199, emphasis added]. It is to be noted however that although there is space or the possibility for the development and transformation of habitus through specific events or circumstances, this change would always be structured by habitus and is therefore curtailed by the very structures habitus tends to reproduce. Resistance theorists however fail to perceive this dilemma in Bourdieu's work: in the inevitability of habitus with its direct link to the economic base and the possibilities for transformation in the space created by the imperfectability of reproduction in the face of specific events or historical circumstances.

The essentially social nature of the habitus is established inasmuch as habitus is not an individual phenomenon but concerned primarily with family, group and class relations which orient individual perception and practice. Bourdieu does add however that such a view does not exclude "systematic differences separating individual world views, developed from individual—and yet con-



Source: Harker 1984: 121.

ccrted—points of view [1973: 76]. 'Nonethcless, Bourdieu's definition of class in fact resides in habitus and thus "social class, understood as a system of objective determinations, must be brought into relation not with the individual or with the 'class' as a population but with the class habitus, the system of dispositions (partially) common to all products of the same structures" [1977a: 85].

Bourdieu's discussion of class in relation to habitus is most clearly stated in his study of the dominant French culture essentially in terms of 'taste' measured by individual and eollective consumption [1984] and in a more recent paper [1985]. Bourdieu presents his problem by stating that "the model of the relationships between the universe of ceonomic and social condition and the universe of life-styles" that is presented is "based on an endeavour to rethink Max Weber's opposition between class and Stand" [1984: xi-xii]. In his discussion of class. Bourdieu, therefore, attempts to bring together, the material and social bases of class in terms of the subjects economic condition as well as social position in what he considers a multi-dimensional view of class practice.

Bourdieu argues that class cannot be defined in terms of a single property (for example, the volume and composition of economic capital) nor by a "collection of properties" (for example, sex, age, ethnic origin, educational level, etc), and neither by a "chain of properties strung out from a fundamental property" (i e, position in the relations of production) but only by the "structure of relations between all the pertinent properties which gives its specific value to each of them and to the effects they exert on practices" [1984: 106], Bourdieu does not, however, identify the underlying principle of the structure of relations so we do not in fact know how the different properties relate to one another; and the content of "all the pertinent properties" of class are identified only in a footnote-where he states that in order to construct the classes and class fractions...systematic account was taken not only of occupation and educational level... and also, in each case, of the available indices of the volume of different sorts of capital as well as of age, sex, and place of residence" [1984: 571, fn 8]. He adds that practice is also influenced by the "class of trajectories" which are the possibilitles available to an individual or a group for movement from one class to another. The shift from one trajectory to another is dependent on either 'collective events' such as wars, crises, etc, or 'individual events' such as encounters, benefactors, etc, which themselves depend on the position and disposition of the individual concerned. Class is thus constituted not only by the relations between material and social properties which determine the positions but also by individual positions and properties in relation to these positions.

In defining the social world as "social space". Bourdieu conceives of the latter as a multi-dimensional "space of positions" in which agents and groups of agents are defined by their relative positions within that space. Knowledge of the position occupied in this space is based on the "agents' intrinsic properties (their condition) and their relational properties (their position)", and through this, classes can be distinguished and established [Bourdieu 1985: 725]. However, Bourdieu argues that this defini tion of class is limited inasmuch as it only has a "theoretical existence" and what actually does exist is a "space of relationships.. in which movements are paid for in work, in efforts and above all, in time" [ibid: 725 ff]. This consideration of 'real' class as that which is established in the "space of relationships", and movement within this space derives from Bourdieu's notion of capital and the conversion and reconversion of one form of capital into another.

In a recent formulation, Bourdieu distinguishes between the "three fundamental guises" of capital depending on the field in which they function, viz, "economic capital which is immediately and directly convertible into money and may be institutionalised in the form of property rights, cultural capital which is convertible, under certain conditions, to economic capital and may be institutionalised in the form of educational qualifications; and social capital made up of social obligations (or 'connections') which is convertible, in certain conditions, into economic capital and may be institutionalised in the form of a title of nobility" [1986: 243]. In a footnote, Bourdieu refers to a fourth guise, which is in fact crucial to his thesis, viz "symbolic capital, that is to say, capital in whatever form-insofar as it is represented, i e. apprehended symbolically in a relationship of knowledge, or more precisely of misrecognition and recognition [ibid: 255]. Bourdieu accords primacy to the economic field insofar as he argues that "economic capital is at the root of all the other types of capital and that these transformed, disguised forms of economic capital, never entirely reducible to that definition, produce their most specific effects only to the extent that they conceal . . . the fact that economic capital is at their root, in other words... but only in the last analysis—at the root of their effects" [1986: 252]. However, he consciously avoids the economism that may lie at the basis of such an approach by underlining the "specific efficacy" of other types of capital and also deals with the "semiologism" which reduces social Interaction to communication,

masking the universality of the economic base. Thus, for Bourdieu, the economic field is the fundamental condition but not the conditioner of cultural or social activity, much of which is dependent on relationships hetween different categories, and he identifies the strategies of conversion or reconversion which exable the individual actor to maintain, improve, or modify his or her condition and position by accumulating or reconverting cultural or/and social capital, albeit through the misrecognition of the dominant cultural arbitrariness.

The concept of 'field' is central to Bourdieu's work—for example, in his discussion of the forms of capital—and is related to both habitus and capital, which in relationship, constitute practice. Field—for Bourdieu—does not merely refer to an area of functioning such as the economic, cultural or social but is "like a magnetic field, made up of a system of power lines" [1969:89]. Thus, individuals or groups within a field may be described as "so many forces which by their existence, opposition or combination, determine its specific structure at a given moment in time [ibid: see also Bourdieu and Boltanski 1978: 203].

Finally, the social world, according to Bourdieu, acquires "the status of a symbolic system" through properties and their distribution and is organised "according to the logic of difference, differential deviation, thereby constituted as significant distinction" [1985: 730], apparently, as in the Saussurean model. The social space and the 'differences' that cmerge within itspontaneously-as it were-'tends to function symbolically as a space of life-styles or as a set of Stande, of groups characterised by different life styles" [ibid]. Bourdieu concludes that distinction is therefore "the difference inscribed in the very structure of the social space when perceived through categories adapted to that structure; and the Weberian Stand... is the class constructed by an adequate division of social space, when perceived through categories denied from the structure of that space" [ibid: 731]. As pointed out by Garnham and Williams, Bourdieu views symbolic systems as arbitrary-"structuring structures in the sense that they do not reflect... a reality but themselves structure that reality" [1980: 214]. However, Bourdieu emphasises that these systems are arbitrary in themselves but not in their social function which is to represent, in a misrecognised form, i e, in disguise, the structure of class relations because their logic is that of distinction. These class relations are reinforced by their internalisation in the habitus which confirms the general logic of class determined practice and further results in a "hierarchically organised range of distinctions, such as rare/common, distinguished/vulgar, disinterested/interested, freedom from necessity/necessity, etc" (ibid: 215).

In his analysis of class, Bourdieu is concerned essentially with the distributive features of class insofar as it regulates habitus and distributes taste. He appears not

to be concerned with relations between classes apart from his view of how one class appropriates habitus or taste and the relation of other classes to that. Further, his concern with distinctive taste as the prime definer of culture and its social ramifications appears to result in a construction of class that includes only the dominant culture as well as in a particular construction of culture itself. Bourdieu has, however, also been praised for "a positive and unpatronising valuation of the cultural values and aspirations of the working class. . " [Garnham and Williams 1980: 222]. As Bourdieu himself acknowledges in a review of his method in Distinction, that in the case of the working classes (classes popularies), there was an "under-representation of the most disadvantaged eategory, that of the semi-skilled workers and the unskilled labourers, who are very uniform with regard to the object of the survey, 1 e, very uniformly excluded from legitimate culture" [1984: 505]. Similarly, farmers and farm workers were excluded from the analysis after Bourdien realised that a method other than a questionnaire was needed to identify the dispositions of a population that was completely excluded from the dominant and even from-what he calls-"middle-brow" culture. However, the most important piece of information that was revealed in putting questions on legitimate culture to those who were excluded from it was "the almost universal recognition of the dominant culture" [ibid].

While it is apparent that Bourdieu is concerned with the dominant culture, it is not quite etear whether or not the dominant culture is constituted by the dominant class alone. That is, as individual actors, through strategies of conversion and reconversion, acquire the legitimate culture of the dominant class, the dominant culture no longer remains the pierogative of the dominant class. There is a need, therefore, to define concepts such as dominant culture and dominant class in relation to each other and consider the implications of the acquisition of the dominant culture on its relationship with the dominant class.

#### Ш

In his attempt to generate a theory of practice that will not fall into the trap of either subjectivism or objectivism, Bourdieu examines the distribution of a particular "privileging text," viz, culture, the relations between different groups, agents and classes with respect to that culture and through this, the relation between the subject and the objective structure of society. Bourdieu thus appears to be concerned essentially with culture and the reproduction of culture through the different modalities of its transmission such as the family, "pedagogic work", and so on. Culture acquires an overwhelming importance in Bourdieu's problematic because he sees it as that fundamental category which, through forms of classification, creates crucial differences between individuals or groups, viz, "culture

classifies—and classifies the classifiers. It sets up an opposition between the things deemed suitable objects for thinking and talking about, and those which are unworthy of speech, thought, the 'unthinkable' or 'unmentionable' [Bourdieu 1971: 1255]. This opposition results in the discrimination between two basic types: those who are "sensitive to the outward signs of this discrimination" and those who cannot perceive them at all. Taste, broadly defined, is thus nothing other than "competence in perceiving and deciphering clues which may, at the most elementary level, be totally extrinsic [ibid]. Taste is, however, not a static category insofar as there is a movement from the 'unthinkable' to the 'thinkable', i e, what is 'unthinkable' or 'unmentionable' at one time may be redefined as the 'thinkable' at another time in order to maintain the exclusion of some categories of agents or groups. These are the relations within the category of taste and Bourdieu does not appear to address himself to questions concerning these relations. Further, the relations within the category, such as the movement from one state (the unthinkable) to another (the thinkable), are controlled by agents or institutions whose important role in this process is also not examined by Bourdieu.

That the cultural field emerges as a marker and reinforcer of class relations is clearly apparent in Bourdieu's fundamental premise in his elaborate study of culture, ie, that cultural needs, preferences and practices are closely linked to educational level and to social origin [1984: 1]. More importantly, the cultural field reproduces and legitimates not only the divide between the dominant and the dominated classes but also within the dominant class itself, there Is a division between the dominant and the dominated fractions: the former is concerned with the material reproduction in the field of production, the latter with the legitima tion of material reproduction through the exercise of symbolic power. Pedagogic communication, for Bourdieu, is therefore about the reproduction of culture and its economic base and their domination in different fields through the exercise of either explicit or symbolic control. Thus, in different fields such as the academic, cultural, legal, professional, etc, the field of power is controlled by either the economic or the cultural domain, i.e. by either the dominant or the dominated fraction of the dominant class.

Finally, a comment on the concept of habitus which is central to a theory of practice. There is an essential shortcoming in the concept inasmuch as Bourdieu does not provide the principles or the specific rules of the generation of practice. In omitting to do this, Bourdieu has in a sense failed to identify how actually the habitus is transmitted; it is cone through the family, and later, 'scholastic action' and other influences, but how does it actually take place? A theory that seeks to answer such a question would need to identify the underlying rules—the internal grammer, as it were—of habitus as

a device for the transmission and the acquisition of the dominant culture. To the extent that Bourdieu's discussion of habitus remains incomplete on this point, his theory of cultural reproduction does not deal with the crucial problematic of pedagogic communication: the how of its transmission. The theory, however, remains unsurpassed in terms of its intellectual elegance and the wide ranging issues to which it is addressed." Resistance theorists, however, in their commitment to an ideology, seek to provide idealistic or utopian answers to the problem of cultural domination. Thus they fail to see the manifold possibilities for social development and change, based on individual awareness and determination, in Bourdicu's thesis on cultural reproduction.

### Notes

[I am deeply indebted to Basil Bernstein for his meisive comments, critical advice, and constant encouragement in the preparation of an earlier draft of this paper. I would also like to thank Pierre Bourdieu for his invaluable help in clarifying certain issues. Any errors of misinterpretations are entirely my own responsibility.]

- 1 See Bernstein 1986: 236 fn·1, for an excellent discussion of the sociological use of the term and its implication for cultural reproduction theory.
- 2 Manuscript on a comparative study of the works of Bourdieu and Bernstein is under preparation.
- 3 Bourdieu does however provide an extensive critique of not only the structuralists but also their forbears like Saussure, [see for example, Bourdieu 1968 and 1977a].
- 4 For a detailed discussion on the subject, see Panofsky [1951].
- 5 This work also examines other important concepts such as "relative autonomy", "symbolic violence", "symbolic power", which have received critical attention in the work of Swartz [1981], Di Maggio [1979], Kerr (1983), among others.
- 6 Bourdieu had earlier expressed a similar view on habitus ]1973: 67] but had apparently modified it with Passeron ]1977]. The definition now under consideration in the text is taken from Bourdieu's anthropological writings on the Kabyle in Algeria [1977a]. Among other important aspects of this work. Bourdieu counters Levi-Strauss's discussion of the "rules of marriage" and "the elementary structures of kinship" through an analysis of parallel cousin marriage and the delineation of "marriage strategies" which are akin to "reproduction strategies" inasmuch as they are the strategies through which individuals or groups objectively reproduce the relations of production associated with a determinate mode of production by striving to reproduce or improve their position in the social structure [1977a: 70]. Needless to add, this is a significant element of Bourdieu's theory In terms of the possibilities of individual intervention and change.
- 7 The notion of "privileging text" is taken from the work of Bernstein who uses it to define "any text which confers class, gender, race privilege directly or indirectly". Moreover, 'text' is used in both a literal and a broader sense, i e, it can refer to dominating curriculum, dominating pedagogic practice, but also to any pedagogic representation, spoken, written, visual, postural, sartorial" [Bernstein 1987].

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# A Development Strategy for the 1990s

### Kirit S Parikh

Growth of the Indian economy over the last four decades has been inadequate; poverty, hunger and illiteracy persist amidst abundant food stocks; much of our industry remains internationally non-competitive and requires import of technology; and public sector does not generate significant surplus and remains inefficient. Given this experience what should be our goals and policies for the 90s?

#### WHERE DO WE STAND TODAY?

THE main problem facing us is, and will be at least until the beginning of the 90s, that of poverty and the associated hunger, illiteracy and ill health. Hunger now persists in the midst of 'abundance' of food.

Many things have changed over the past four decades. Much has been achieved but the achievements have been disappointing compared to our hopes and aspirations. What are our achievements and what have been the disappointments?

- (a) Poverty has not increased and, in fact, it has been reduced even though population has increased. Yet more than 200 million persons remain below the poverty line.
- (b) 'Abundant' food is produced. Price support for the foodgrain production is causing what appears to be ever increasing stocks of foodgrains with the government. At the same time more than 200 million persons below the poverty line, do not get enough to eat.
- (c) Life expectancy at birth has increased from 30 to 55 years and yet 55 is not very high compared to other countries. Though in most countries life expectancy for women is higher than that for men in India it remained lower than that of men for many years. The gap has narrowed slowly and only now life expectancy for women has become higher than for men (Visaria 1987).
- (d) Literacy has increased from 16 per cent of the population in 1951 to 36 per cent in 1981. These figures show our inclination to discount our achievement as the denominator contains total population including those below 7 years of age who cannot be expected to be literate. Also one does not know how children above five years are treated in these data. Taking roughly 20 per cent of the population to be below 7 years, the 'non-child' literacy rates expressed as percentage of population above 7 years would be 20 per cent for 1951 and 45 per cent for 1981.

Assuming no additional special efforts at adult literacy, very crude projection would indicate 'non-child' literacy rates of 55 per cent for 1991 and 66 per cent for 2001. That would leave more than 250 million adult illiterates in 2001.

(e) The 3.6 per cent per year growth rate of the Indian economy over 1951-85 is higher than the 2.2 per cent per year growth rate of population but much less than the planned growth rates over these years

- (f) A very diversified industrial base has been created. Yet many of these industries are not internationally competitive, produce substandard goods at high prices using considerable physical and financial resources.
- (g) We are proud of our technology policy of self-reliance. An import policy which permitted only selected import of technology and in which import content was reduced in a planned way was followed. Yet in many of these industries we seem to need to import technology all over again now.
- (h) The public sector was developed to reach 'the commanding heights' of the economy and to generate investible surplus. Instead, it has absorbed large amounts of resources without giving commensurate returns. Instead of leading the economy to commanding heights it has crippled the economy with infrastructural bottlenecks and inefficiency. The emphasis on public sector may have helped contain expansion of large private monopolies but the cost of inefficient public monopolies may have been a much lower growth rate and a larger incidence of poverty.

In summary, growth has been inadequate; poverty, hunger and illiteracy persist amidst abundant food stocks; much of our industry remains internationally non-competitive and requires import of technology; and public sector does not generate significant surplus and remains inefficient. Given this experience what should be our goals and policies for the 90s?

### THE VISION AND THE GOALS

The vision that should gulde us, is to have a India free of po erty, hunger and illiteracy by the turn of the century. The goals follow from this objective.

- (i) A real growth rate of 7 per cent or more per annum in the 90s should be aimed at. This would go a long way in eliminating hunger by giving sufficient income to most people even without much redistribution. (See Figure 1 which shows the impact of growth on hunger).
- (ii) Redistributive programmes, food for work, IRDP, etc, should be carefully planned and executed on the required scale. This is needed to give additional income to the poor till the time, trickle down reaches them.

Yet can these be achieved; and if so, how?

I believe that it is possible to achieve these goals. It is technically feasible to achieve a growth rate of 7 per cent over the 90s. The broad direction of policy changes required to achieve it can also be identified. Whether these policy changes are politically acceptable or not is a different question. I suggest that we do not pre-judge the answer to it. Analysts should not decide for the political leaders what is politically feasible or not.

It is the purpose of this note to show that a 7 per cent growth cannot be ruled out and to suggest the direction of policy changes needed to achieve it.

With an integrated approach to policy and planning which encourages efficiency, with a substantially stepped up exports on the basis on which we can borrow much more than we do now without worsening our debt/service ratio, and with a bold technology policy which is not hung up on self reliance every where but which aims to technological pre-eminence and leadership in the world-in selected strategic areas, we can achieve our goals. Let me claborate these in turn.

### IS A 7 PER CENT GROWTH RATE FEASIBLE?

It is argued by some that such a growth rate is not feasible because (i) agriculture cannot expand at the needed rate (ii) investible resources needed cannot be found and (iii) the import needs cannot be met.

### Feasibility of Agricultural Growth

It is sometimes argued that diminishing returns to fertiliser and modern inputs have become more important in the dynamic progressive districts in the country and the green revolution has run out its course. It is also argued that the institutional constraints inthe backward districts are such that no acceleration in their agricultural output can be expected. Moreover, resource constraints of land and water are becoming more serious. Thus it would not be possible for the output of agricultural commodities to continue to grow at the rate of 2.7 per cent realised over the 70s let alone to step it up.

First of all, there is no one growth rate at which agriculture must grow if the economy has to grow at 7 per cent. The growth rate of agriculture that is desirable depends on the desired relative price of agriculture and the ability of the country to trade adequately on the international markét. Even, a 3 per cent growth rate of agricultural output can be adequate to con-

tain the relative price of agriculture to an acceptable level. Nevertheless 1 wilt argue that it is possible to step up agricultural growth further. There are no technological, institutional, organisational or resource constraints that cannot be overcome.

Scope for Further Output Increases in Progressive Districts: Experience in Europe and US over many decades have shown that while yield response to nitrogen in the short run diminishes strongly, over the long run it does not do so. One may hypothesise that technical progress through new varieties have kept shifting the yield functions and yield responses have remained more or less linear to fertiliser application for quite a high dosage of fertiliser as indicated in Figure 2. The linearities of yield to nitrogen uptake is commonly accepted by agronomists (see for example de Wit, 1965, and van Keulen, 1982) and the increasing yields of newer varieties is also observed in US. Thus spring wheat varieties introduced at different times. but all tested in 1974 to eliminate impact of variations in weather, soil and cultural practices show (see Tisdale et al, 1985) that compared to the yield of variety available in 1926 yields were higher by 10 per cent for the 1935 variety, 16 per cent for the 1958 variety, 35 per cent for the 1967 variety and 79 per cent for the 1971 variety. Similarly, increasing yields with newer varieties were also observed for corn.

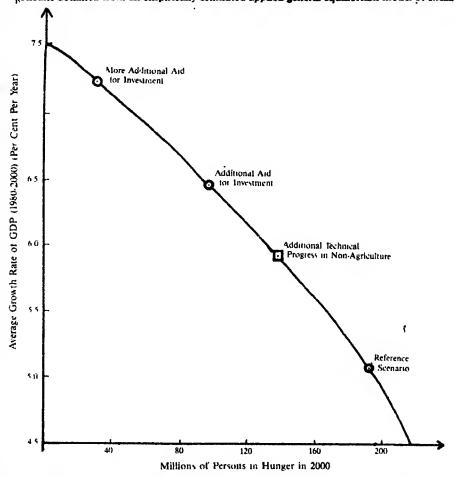
The European farmers apply on an average more than 200 kg of chemical fertilisers/hectare (221 kg of nutrients in 1980, see FAO Fertiliser Year Book 1981). Even when in order to preserve certain environmental quality, we may not want to go as far in fertiliser applications as the European farmers do, in the progressive districts we have quite a production potential left to exploit.

Can the Backward Districts Grow?: Districts of Eastern UP which were considered irredeemable 10 years ago, have shown over the past five years a high rate of growth of agricultural output. Thus no district should be considered as permanently backward. The main question is what measures lead to agricultural growth and how soon can these be introduced in these districts?

Though, quality of farmers, their education, their enterprise, their resources and ability to bear risks and the ownership pattern all affect the pace of agricultural development. I think a strong case can be made that the progressive districts have been so mainly because they have had irrigation, research adapted to local agro-climatic conditions and extension work that has brought these research to the farmers. This is a testable hypothesis.

By setting up more agricultural research centres in what today appear to be backward districts and by improving extension effort, these districts could be made to increase their agricultural output faster. Development of irrigation should respond to policy changes and need not be a restraining factor.

FIGURE 1: IMPACT OF GROWTH ON HUNGER IN ALTERNATIVE SCENARIOS (Results obtained from an empirically estimated applied general equilibrium model of India)



Strategy for Agricultural Development: The preceding paragraphs point to a broad strategy of science and technology based agricultural development. Research and extension and development of irrigation particularly in backward areas should be emphasised.

The experience of many voluntary agencies have shown that small, decentralised, minor irrigation schemes have quite a potential in the country, and that such schemes are cost effective. To do this effectively on a sufficient scale requires not only planning, but also mobilisation of engineers to work for such schemes in rural areas. This may not be easy as the glamour of urban lifestyle is difficult to forego. Yet provision of adequate incentives in terms of remuneration and job satisfaction arising out of realisation of the relevance of the job, it should be possible to attract engineers to work on such schemes.

Involvement of local and voluntary agencics is also critical for the success of large scale development of minor irrigation schemes.

Development of irrigation should be considered a part of land development. In fact land development schemes should include not only irrigation needed to increase production but also drainage works and land shaping which are required to sustain pro-

ductivity of land. These land development schemes can be carried out in labour intensive ways and can also be looked upon as redistributive schemes. When properly conceived and planned in advance they would also be productive schemes.

Can We Find the Needed Resources?

The growth rate based on the trend line of the Indian economy since 1980 has been around 4.5 per cent per annum. Net capital formation has been around 19 per cent of GDP of which fully 17 per cent were domestic savings. In a very crude way this implies an incremental net capital/value added ratio of 19/4.5 = 4.2. At this rate a 7 per cent growth rate would require a net capital formation rate of nearly 30 per cent. How can one hope to raise it in few years to such a level from 19 per cent? This is clearly an extremely difficult task, if not an impossible one.

What can be done however is that the need for resources can be reduced. Capital/output ratio in India is notoriously high and has been increasing over the past 30 years. While some increase in the capital/output ratio is unavoidable in early phases of development, such structural explanations do not justify the level of capital/output ratio in India. There is a lot of inefficiency in the use of capital in India. It is my contention that increase in the efficiency of capital use in

public and private sectors and a small but what should be considered acceptable increase in foreign aid/borrowings can provide, without a change in savings behaviour, enough resources to step up our growth rate to 7 per cent.

Increases in Efficiency of Public Sector: More than 15 per cent of net GDP is from public enterprises. Most of these produce far below their rated capacities. Even in terms of physical norms the output is much less than what should be feasible.

A 20 per cent increase in efficiency (i.e., in terms of capital/output ratios) in public enterprises will increase net capital formation by 3 per cent to 22 per cent and will reduce the aggregate incremental capital/ output ratio in the economy by 10 per cent. That this is not impossible can be seen from Table 1, which shows capital employed to value added ratios in factory sector from a variety of perspectives. In spite of all the well known reservations relating to the measurement of capital employed, the table does give a clear message. Around 90 large 'factories' (it may be noted in passing that ASI definition of a factory covers many things) ac count for the very high capital to net value added ratio in the country. Thus one needs to concentrate efforts on 90 odd units to get a big boost in efficiency. Through organisational reforms it should be possible to get more from these units. Accomplishing this should be a task of the highest priority.

It is true that these 90 odd units include organisations such as state electricity boards, highly politicised, over staffed, conniving in large power thelts and distributing electricity at highly subsidised rates for political purposes. How would one motivate state governments to tone up these units? Here two problems should be distinguished. One is the aspect of physical (technical) inefficiency reflected in tow plant factor by international standards and the second one of financial mismanagement. Even the state governments should be interested in improving technical efficiency for then they would have more to distribute.

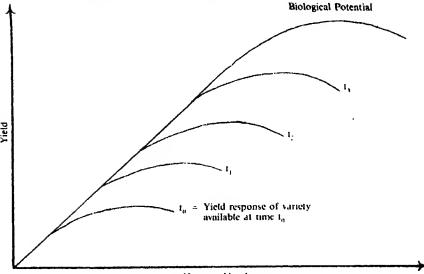
To reduce financial mismanagement perhaps one could introduce a scheme by which the funds given by the centre to the state can be reduced by the extent to which the state fails to generate a targeted surplus from public sector units.

Increase in the Efficiency of Private Sector: The private sector industries have grown in a protected environment. Often they have had credit at rates which do not fully reflect the cost of capital. It is thus reasonable to assume that there must be considerable scope for improvement in the efficiency of capital use in private industries.

By increasing the cost of capital relative to that of labour and by subjecting industry to much greater competition efficiency of capital can be improved. To what extent this is possible, needs to be studied. Yet a guess of 20 per cent improvement does not seem too optimistic to me.

One does not have to go to free trade to

FIGURE 2: SHORT RUN AND LONG RUN YIELD RESPONSES



Nitrogen-Uptake

give industry incentive to be efficient. Selective partial liberalisation can do it. Though theoretically uniform protection across all industries does not necessarily lead to a more efficient allocation (Dixit and Norman, 1980), it may be administratively simpler and less susceptible to lobbying by industry. In any case we are concerned here with efficient use of already allocated resources. What we need is lowering of protection to obtain much of the benefits from gains in Xefficiency. But to be able to do so requires a tough political decision. Entry as well as exit has to be made freer. Of course, for infant industry differential protection may be needed and should be provided, but only for a pre-specified time period. Freer entry does not mean totally free entry. A threat of easy entry by competitors may be enough to promote efficiency. Also completely free exit may not be needed, but the possibility of closing down a sick unit giving golden handshakes to workers can help. In any case, the government should not be burdened by taking over units made sick by plundering management.

The process of liberalisation has to be carefully thought out. It is well known from the theory of second best that partial liberalisation can be welfare worsening (Bhagwati, 1971). The policy has to be carefully monitored and has to be adaptive but in a way that does not degenerate into a process of ever increasing efforts to get more and more protection (rent seeking). Corrective measures should be distortion reducing and self liquidating.

Larger Capital Infow from Abroad: Foreign capital inflow is an obvious possibility to find additional resources. Though larger aid may not be forthcoming, increased borrowings should be possible.

It would be of course suicidal to borrow more for current consumption as some of the profligate Latin American countries did in the past. 'Borrow and drink ghee' advice of Charvaka may not be appropriate but borrowing for productive investment should not be shunned. (Though there is a danger that drinking desi ghee may be justified as investment in human capital!).

A larger debt does not have to result in greater vulnerability to external pressure. If the debt service ratios are maintained at reasonable levels we should not be susceptible to it. Some indicators of the burden of debt for India are shown in Table 2.

Thus if our exports can grow faster we could borrow more and if we invest it well the GNP can grow faster too.

With a modest stepping up of the growth rate of exports from around 7 per cent at present to around 11 per cent, our exports would reach a level in 2000 that South Korea has reached today. With such an increase in exports we can borrow an extra 1 per cent of our GDP without worsening debt service/export ratio.

Whether such a growth of exports is possible or not is a moot question. As is argued later we need to step up our exports even when our targeted economic growth is smaller. However, I believe that export pessimism is unwarranted and we could have much larger exports.

Do These Add-Up to Erough Resources?: We can now summarise the impact of the measures suggested.

- (a) Improvement in efficiency of public sector enterprises by 20 per cent raises the net domestic capital formation from 19 per cent of GDP to 22 per cent of GDP.
- (b) Additional capital inflow from abroadraises this to 23 per cent of GDP.
- (c) Improvement in capital use efficiency of both public and private sector leads to a reduction of 20 per cent in the incremental capital output ratio.

These measures which do not assume any change in private and corporate savings behaviour, take us into the ball park of a 7 per cent growth rate.

Meeting Import Needs

Yet another argument advanced against the possibility of a higher growth rate is that the needed imports cannot be made. This is because the prognosis for domestic oil production is bleak requiring increased imports of oil, the need to import technology and capital goods continues and that prospects for stepping up exports are not very bright as the developed countries restrict manufactured imports. It is certainly prudent to expect that oil imports will rise substantially in the coming decades unless some new fields are developed soon. Oil price can also be expected to rise. Thus the foreign exchange needs for importing oil alone would be quite large.

In addition to oil, import of technology will also be needed if our industry is to be internationally competitive. The rate of technical progress is so rapid these days that it is virtually impossible for India to keep abreast in all areas.

Thus import needs can be met only by substantially stepping up exports. Large exports will help not only in financing imports but also, as pointed out earlier, in borrowing more.

The question, however, is can exports be stepped up?

Is Export Pessimism Justified?: Traditionally we have been export pessimists. And in a sense our export performance seems to justify such pessimism. Yet it is not clear what is the cause and what is the effect. I think a strong case can be made that our poor export performance is the outcome of our poor expectations.

Some indicators of India's export performance in comparison with other countries illustrate the point.

(a) India's share in the global merchandise exports as well as its share in the mer-

chandise exports of developing countries have gone down over the last 3 decades.

- (b) India's mcrchandise exports were 9.4 billion US \$ in 1984 whereas South Korea's exports amounted to 29.2 billion US \$ and China's to 24.8 billion US \$.
- (c) It is not that Korea and China started off at a much higher level of exports. In 1960 we exported more than these countries.
- (d) India's exports in real terms grew at 3.3 per cent per annum over 1973-84. Whereas China's exports grew at 10.2 per cent per annum over the same period.
- (c) Pakistan exports more textiles than India.

One could go on. The point is that we should be able to export much more than we have done.

In increasing exports we should increase only those exports which we can profitably expand. Stepping up export by unwarranted subsidies would be counter productive.

Yet how do we step up exports? This requires not only changes in economic policy such as a more liberalised economy (not necessarily free) but also a new orientation in our technology policy.

#### A NEW TECHNOLOGY POLICY

As already pointed out the import substituting self-reliance strategy of 50s and 60s is no longer feasible in the era of rapid technological change. In reorienting our policy, we should recognise few things.

First, we should recognise that selfreliance does not mean we produce everything. We merely need the capability to produce anything that we cannot import without political strings. We need not produce goods for which we have no comparative advantage if they are supplied by many countries, so that relying on imports does not compromise over political freedom.

Second, the economies of scale that arise from learning by doing and from information seem to be important. Thus few large firms keep becoming larger. The dominance in a particular product seems to remain with, not those who have necessarily comparative advantage in the traditional sense of factor proportions, but those early entrants who aggressively capture market shares and become competitive through exploiting economies of scale.

Third, computerisation is unavoidable. It is so not because computers substitute for labour but because the information advantage that computerisation can provide gives the firm economies of scale. So, just to remain competitive, use of the new information technology is unavoidable.

lo compete with others in such an environment, we have to be pace setters in some areas/industries of our choice; otherwise we shall for ever be catching up

We should select few areas and put a large and co-ordinated effort at R and D to at tain pre-emmance in them. The necessity of having to go in for the new information technology can be turned into an advantage by us.

TABLE 2: SOME INDICATORS OF THE BURDEN OF DEBT

	1970	1984
Debt/GNP (per cent) Debt service/GNP (per cent) Debt service/exports of	14.9 0.9	12.2
goods (per cent) and services	22.0	10 1

Source: World Development Report (1986), the World Bank.

TABLE 1: PRODUCTIVE CAPITAL AND VALUE ADDED IN THE AS1 FACTORY SECTOR, 1979-80

(Amounts in Rs crore)

							(/////////	- In its croicy
	No of	Productive	Gross	Gross Value	Net Value		Ratios	
	Units	Capital	Output	Added	Added	Col 2	Col 2	Col 5
	(1)	(2)	(3)	(4)	(5)	Col 4	Col 5	Col 3
All factories	95126	37889	52258	12542	10865	3.02	3.49	0.21
	(100)	(100)	(100)	(100)	(100)			
By sectors								
(a) Electricity, gas and water	472	13459	3348	1560	1273	8.63	10.57	0.38
	(0.50)	(35.52)	(6.41)	(12.44)	(11.22)			
(b) All others	94654	24430	48910	10982	9592	2.23	2.55	0.20
•	(99.50)	(64.48)	(93.59)	(87.56)	(88.28)			
By size of employment		•			•			
(a) Employing 5,000 labour	92	16361	6344	2420	1947	6.76	6.76 8.40	0.31
.,	(0.10)	(43.18)	(12.14)	(19.30)	(17.92)			
(b) All others	95034	21528	45914	10122	8918	2.13	2.13 2.41	0.19
	(99.9)	(56.82)	(87.86)	(80.70)	(82.08)			
By ownership		·						
(a) Public	6158	23509	12652	3815	3062	6.16	7.68	0.24
	(6.47)	(62.05)	(24.21)	(30.42)	(28.18)			
(b) Joint	1546 2146 3354 728 575 2.95	2.95	3.73	0.17				
	(1.63)	(5.66)	(6.42)	(5.80)	(5.29)			
(c) All others	87422	12234	36252	7999	7228	1.53	1.69	0.20
•	(91.90)	(32.29)	(69.37)	(63.78)	(66.53)			

Note: Figures in brackets refer to per cent share in total.

Source: Annual Survey of Industries, 1979-80.

The new information/computer/electronics revolution is not ended yet. Cheap access to large computing power (mass computing), the parallel processing computers that are in the offing, the new bio-technology and generic engineering are about to transform the nature of industrial structure in the world.

We cannot afford to wait till the pattern becomes clearer. We have to select and set up programmes of relevance for us. Our advantage in cheaper scientific manpower can be exploited here. One characteristic of software is that it cannot be mass produced. It is almost a handicraft, for most users would be happier if software can be adapted to then needs. Though physical proximity is an advantage in exporting services such as software, modern communication and data transfer network between computers can neutralise our disadvantage here in exporting software to developed countries. We should have a significant advantage in its export.

If we are to exploit this opportunity, we have to ensure that R and D is organised appropriately

How to Organise Effective R and D

A look at our experience suggests how we should organise R and D

In the past we have tried tom different models for the organisation of R and D. A brief, and therefore somewhat unjust but I believe accurate in substance, caricature would be as follows:

(a) The Council of Scientific and Industrial Research (CSIR) Model: By and large research was carried out in independent laboratories divorced from users, undirected and generally it may be considered a failure. One should however, not judge the CSIR too harshly for experience shows that more than 50 per cent of new products introduced in the market (and this itself is a small fraction of what is developed in the laboratories) in the US fail in the market place.

Yet CSIR's royalty earnings are too meagre. One of the problems with CSIR research is the absence of a sense of knowwhich (if one defines how to do it as know-how; why to do it as know-why; then which one of the alternative projects is worth taking on can be defined as know-which). Projects should be selected for their potential relevance for country's development. Pre-feasibility studies should ensure this.

(b) The Indian Council of Agricultural Research (ICAR) Model: For agricultural research adaptation (adapting new strains to local requirements) and diffusion were critical and these are both integrated here. The need to test new varieties in different agro-climatic zones required dispersal of research activities. This also provided some degree of competition. The various all India co-ordinated programmes such as simple fertiliser trials (SFT) help diffuse the results to farmers. Also basic research in the agricultural area is internationalised. Thus foresight, organisation and some luck give

success.

(c) The Atomic Energy Commission (AEC) Model: To introduce innovations in tomorrow's technology a vertically integrated organisation with emphasis on R and D was set up. Though the economic returns have not been adequate, one would still call this a successful model for R and D organisation. The nuclear power industry is in trouble in all countries and India is no exception. But we have the know-how and we might even be competitive vis-a-vis nuclear industry in other countries. But one does not know how efficient is our nuclear industry because of lack of competition, which is one of the main limitation of the AEC model as it is organised in India.

(d) The Khadi and Village Industries Commission (KVIC) Model: The KVIC has no organised R and D at any scale. The development of appropriate technology has been lelt mainly to individuals, volunteers, idealists and do-gooders. As a result adequate hard-headed realism and support has been missing. Here again an absence of know-which has misdirected much effort to irrelevant technologies.

The model that appeals to me is one in which we set up a number of central coordinating groups which are vertically integrated. The co-ordinating groups should have well defined targets and a lot of freedom of operation. They should have authority over all aspects of the R and D chain from research to commercial production, but this does not imply that these groups he large and do everything in house. They should parcel out sub-tasks to as many groups as possible, with redundancy and duplication. Such a set up would provide vertical integration with competition. Also a bright young scientist or engineer keen to work in a given area would have a choice of alternative employers. The power of the R and D Czars would not stifle dissent in such a system. Freedom to think and criticise is essential for the creative enterprise that is R and D.

#### CONCLUDING COMMENT

In summary, we cannot rule out the feasibility of obtaining a 7 per cent growth rate for the 1990s.

- With emphasis on labour intensive, minor irrigation, drainage, and land shaping programmes and research and extension sustainable development of agriculture is possible. Such land development programmes also serve the redistributive objective through generation of employment and income.
- Industrial growth can be stepped up with a 20 per cent improvement in efficiency through organisational reforms of public sector and through greater compelition in private sector by careful liberalisation (excepting infant industries for a fixed period) and freer entry and exit of firms.
- A technology policy that promotes efficiency and leads the country to preeminence in selected areas is essential

to remain competitive. By gaining the advantages of the first entrant and by providing export opportunities it will stimulate exports and thereby increase the possibility of importing technology in other areas.

If the suggested policy changes are not considered politically feasible, then I am afraid that the vision that we all share of having a India without hunger, poverty and illiteracy by the turn of the century, self-confidently looking ahead and a technological and scientific leader in the world in strategic areas, may also be infeasible. And we should so pose the choice to the country

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### On Restructuring the Monetary System

V V Bhatt

If the financial systems is managed with imagination it can not only provide the necessary dynamism to the economy for rapid growth but also function as an effective countervailing power against concentration of economic power in the private sector and of economic and political power in the public sector. But for the financial system to play such a role several conditions have to be satisfied. The report of the Committee to Review the Working of the Monetary System recognises, though not explicitly, the relevance of some of these conditions. Its preoccupation, however, is only with the monetary system, which it calls the infrastructure of the overall financial system. This paper offers some comments on the analysis and major recommendations of the committee's report.

THE financial system or financial markets can be a very effective instrument for not only facilitating but also stimulating a process of rapid socio-economic development in the light of a country's development objectives. The financial system and in particular the banking system did play such a dynamic role in several countries of Europe during the nineteenth century. The financial system's instrumental dynamic role in accelerating the pace of development is even more necessary in the developing countries. This sector represents the real commanding height in the economy and if it is rationally regulated, practically all the sectors of the economy would come within the purview of effective government control and direction for the purpose of mobilising and allocating resources in the light of development objectives and ensuring their effective and efficient use. If this system is managed with imagination, vigour and entrepreneurial spirit, it can provide the necessary dynamism to the economy for rapid growth and, at the same time, function as an effective countervailing power against any degree of concentration of economic power in the private sector or economic and political power in the public sector. It can introduce rationality in the decision-making process in the public as well as the private sector.

But for the financial system to play such a role, several conditions need to be satisfied.

Firstly, the system and its constituents should have a high degree of operational autonomy and this operational autonomy is all the more essential in countries with a democratic form of government. The competitive struggle for political leadership, which is the essence of a democratic form of government, requires of necessity that the effective range of political decision should not be extended too far.

There are certain fields in which decisions have to be primarily political decisions. These fields relate to the basic aims and objectives of planned development and the machinery for attaining these aims and objectives. However, once the aims and objectives have been specified and the machinery decided upon, the rest of the decision-making process should be governed by purely rational business-like considerations with the role of the state restricted to that of a general supervisor. If the effective range of political decisions is not thus properly

delimited, it is quite likely that in a democracy, with an increasing role of the state, decisions would turn out to be irrational from the point of view of the basic aims and objectives. Democracy does not require that every function of the state be subject to its political method. Thus, almost any type of human affairs may conceivably be made to enter the sphere of the state without being part of the material of the competitive struggle for political leadership beyond what is implied in passing the measure that grants the power and sets up the agency or machinery to wield it and the contact that is implied in the government's role of a general supervisor.2

Secondly, even when the major part of the financial system is government-owned, its constituent units like the banks should have adequate authority for experimentation and innovation relating to various financial instruments with a view to reducing overall transaction costs and risk. This implies that within the framework for co-operation and co-ordination essential for attaining development objectives, there should be adequate competitive pressures and compulsions to introduce financial innovations.

Thirdly, sound functioning of the financial system is not possible without monetary and financial stability.

The report of the committee to Review the Working of the Monetary System (Reserve Bank of India, Bombay, 1985) recognises, though not very explicitly, the relevance of some of these conditions for the dynamic role of the monetary and financial system. Its preoccupation, however, is only with the monetary system—which it calls the infrastructure of the overall financial system (p 41). This paper seeks to offer some comments on the analysis and major recommendations of this report.

Section I deals with the basic objective of monetary regulation and the need for the coordination of monetary and fiscal policies for the purpose. The analytical framework and instruments are discussed in Section II, while Section III deals with the level and structure of interest rates. The management aspects of the monetary system—aspects which have been ignored in the report—are indicated in Section IV and some concluding observations are made in Section V.

I

### Basic Objective of Monetary Regulation

The report recognises that the role of the central bank cannot be limited to mere "regulation of money supply" (p 215); it has to perform a promotional role, in the context of a developing economy, with a view to integrating and strengthening the monetary system for mobilising resources, facilitating credit allocation and ensuring its effective and efficient use in the light of the development objectives.

However, the report rightly emphasises the pursuit of price stability as one of the basic objectives of the Reserve Bank of India (RBI). Perennial inflationary pressures distort decision signals, misdirect resources and defeat the very purpose of planned economic development. They tend to endanger the political, moral and social fabric of society. Nothing disorganises like inflation; "debauch its money", to quote an expressive phrase of Lenin, and you can destroy any society.3 The report, therefore, very wisely recommends: "... it would be desirable, in the Indian context, to assign to the monetary authority a major role in promoting price stability, and also to accord price stability a dominant position in the spectrum of objectives pursued by the monetary authority" (p 146).

One of the basic causes of continuing inflationary pressures in India has been excessive money and credit creation. And this has been the result of excessive resort to deficit financing or central bank credit by the government. For the last several years since 1982-83, the central government has a deficit even in its current budget, which is financed by deficit financing—which according to the report is "a disconcerting development" (p 17) and which is, to quote Bhabatosh Datta, "atrociously large" even in the budget for 1987-88.4

This excessive deficit financing leads to excessive money and credit creation and the Reserve Bank is powerless to control it. Hence the report recommends "closer orchestration of fiscal and monetary policies than at present" (p 153) to prevent deficit financing from exceeding what the report calls its "safe" limit. Hence, the report recommends "a certain degree of coordination between government and the

Reserve Bank in evolving and implementing policies. Such condition is essential and feasible" (p 150). The report does not raise the basic question, raised by both Dandekar' and Bhabatosh Datta: If such coordination is feasible, why has it not been so, so far?

What is really essential is to accord the necessary independence to the Reserve Bank to regulate the resort to deficit financing by the government. The report recognises this on p 145; to quote: "In order to enable the monetary system to function effectively and accomplish the above tasks it is most essential to ensure that there is no mismatch between the responsibility of the central bank, i e, the RBI, to supervise and control the functioning of the monetary system on the one hand, and its authority to do so on the other" (italics added). However, it is surprising to find that even such a high powered independent commission is not able to raise the basic political or constitutional issue candidly and fearlessly.

The basic issue is indeed political or constitutional particularly in a democratic society, in which it is essential to delimit the effective range of purely political decision for the successful functioning of the democratic process itself. To quote John Hicks: "But I am not afraid to draw the moral, which emerges rather clearly from the line of thought I have tried to follow out, that the issue with which we have been concerned is political-even constitutional-as well as economic. There is the technical problem of the Instrument; but it is tied up with the political problem of how to secure that it is used decisively. This is a problem which Keynesian economies, so it seems to me, has refused to face; while the monetarists, who have seen it, have not faced the political implications. For myself, I would face it. I think we should say that monetary regulation is a major function of government; but we should emphasise that if it is to be exereised decisively, it needs to be separated, in what is in fact the constitutional sense, from other functions. We need to remember the ancient doctrine of the Separation of Powers. The judicial function, in wellordered states, is recognised to be a function of government, but a function that is better separated. So it is with the monetary function."7

### H

### Analytical Framework and Instruments

To attain the basic objective of price stability, the report recommends, what it calls "monetary targeting with feedback" (p 170) by the RBI. "File monetary target has to be in the form of a range rather than a specific magnitude of monetary expansion and should be altered during the relevant period in response to major developments in the real sector" (p 170).

This type of monetary targeting is to be

based on the relationship between money and real income as well as credit (to be precise, it should be bank credit) and real output. On the basis of available evidence, the report finds that these relationships are stable and predictable in the functional sense; of course, there have been and will be, as the report recognises, shifts in the parameters over a period of time with the change in the institutional framework and the report rightly emphasises continuing research on this subject.

Given the expected increase in real income and the maximum permissible average annual increase in prices—which according to the report should be 4 per cent—it is possible to estimate the desirable level of monetary expansion—within a certain range—on the basis of the expected range of values of the income velocity of money (the report does not indicate in what respects this framework differs from the one actually used by the RBI since 1961).8

The report illustrates this method by an example (p. 169), which, as Dandekar has commented,9 is not only very misleading but gives the wrong signals to policy-makers. It assumes a growth rate in national income of 5 per cent per annum, income clasticity of the demand for money at 2 and a price rise of 4 per cent per annum and arrives at a target for monetary expansion of 14 per cent per year. What can be a better example in support of deficit financing estimated for the current year? What happened to the range for monetary expansion? Is the value of income clasticity of demand for money 2 or 1.5 as Dandekar suggests? Why should the desired price rise be equal to the maximum tolerable price (15e? And, is it wise to assume the annual growth rate of national income at 5 per cent in the context of past experience?

Anyway, once the desired range of monetary expansion is estimated, it is possible to estimate the desired range of reserve money creation on the basis of the value of the money multiplier-which appears to be predictable on the basis of past experience. If the "safe" limit of deficit financing or central bank credit to the government is put at 50 per cent of the desired reserve money creation (the report does not indicate the precise extent of deficit financing), the government's budget estimates of resources can be put on a firmer basis. If during the mid-year review (what the report calls monetary targeting with feedback), the target for reserve money creation is changed, the Reserve Bank should not change the original estimate for deficit financing. Whatever adjustment is necessary relating to the target for reserve money should be made by varying Reserve Bank credit to the commercial sector through the policy instruments, like variation in the terms and conditions for refinance and discounting of commercial and treasury bills, open market operations and the cash ratio—the latter, of course, should be changed only as a last

resort, and what the report calls the statutory investment ratio should generally not be changed at all.

The Reserve Bank's instruments for monetary regulation would become much more effective, as the report suggests, by developing the money market, particularly relating to treasury bills and commercial bills and introducing a measure of flexibility relating to the structure of interest rates. Such interest rate flexibility is essential not only for effective monetary regulation but also for permitting the financialisation of saving and improving the allocation of resources and efficiency in their use.

This development of the money market may take some time. Further, the Reserve Bank's open market operations in the treasury bill market may or may not be as effective as is desirable. Reserve Bank's effectiveness relating to monetary regulation is likely to improve, if it introduced its own short-term instrument-say, a Reserve Bank Bill of three months maturity. The discount rate on this bill should be changed every three months in the light of the market determined rates in the money market and the stance which Reserve Bank would like to adopt with regard to credit regulation. This bill should be in two denominations; one for Rs 100 and the other for Rs 25,000. Even individuals could make transactions in this instrument through the branch offices of the commercial banks if there is bill for Rs 100. The high denomination bill should be available to all individuals, companies and financial institutions.

If the Reserve Bank introduced such a bill, it could serve as a pace-setter for the other short-term interest rates (including the discount rate on treasury bills) as well as an effective instrument for its open market operations.

### Ш

### Level and Structure of Interest Rates

The report recommends flexibility in the interest rate structure in two ways. Some rates would be administered but flexible like the rates on treasury bill and government securities, one year and five year deposit rates and minimum lending rate by the banks-and the rest will be market determined. The administered rates will be changed periodically in the light of the norms for real rates recommended by the report. The nominal rates are to be determined, in the light of the real rate norms, on the basis of the expected rate of inflation. The expected rate of inflation is a good guiding principle, as Patil<sup>10</sup> suggests. Since it is difficult to predict it, the nominal rates. will have to be fixed, through a process of trial and error, on the basis of the judgment of the Reserve Bank. Further, even the suggested real rates cannot be taken as norms for the determination of the short-term

nterest rates; depending on the stance which the Reserve Bank intends to adopt with regard to credit regulation, the short-term rates may have to be fixed sometimes at nominal rates much higher than those based on the real rate norms. The real rate norms cannot be applied to the determination of

is unfortunate that the report illustrates the application of the suggested real rate norms to the determination of the rates on government securities by an exercise that gives an impression of a mechanical rule (p. 156).

On the basis of the real rate norms and assuming that the Reserve Bank and the government would succeed in containing average annual increase in prices below the 4 per cent norm suggested by the report, the structure of administered interest rates can be determined in two ways. 11

One way is to proceed from the cost side or the supply side. The transaction cost and the provision for default risk of the commercial banks probably are in the range of 4 per cent of the value of their assets. Assuming that the banks should make a profit equal to 1 per cent of their assets and their average cost of funds is about 4.5 per cent, their average interest earning on all assets should be around 9.5 per cent.

It the yield on approved securities is around 6 per cent, and the banks' transaction cost is around 1 per cent for dealing in government and approved securities, the banks total cost would be 5.5 per cent of their assets (approved securities) and they would still make a profit of 0.5 per cent on their assets relating to approved securities.

On the rest of their assets (about 60 per cent), since the transaction cost and default risk provision would be around 6 per cent of the value of these assets, their rate of profit should be around 1.3 per cent and the cost of funds would be 4.5 per cent. On this basis, their minimum lending rate should be around 12 per cent. Assuming that the concessional rate for about 20 per cent of their lending would be about 10 per cent, and another 20 per cent of their lending would be at the minimum lending rate of 12 per cent, the rate on the rest of their lending should be around 13 per cent.

Another approach can be from the demand side. If the growth rate of national income is to be about 5 per cent per annum, the average internal rate of return on total investment should be about 12 per cent per year-with the rate of return of more than 15 per cent on industrial investment, around 10 per cent on investment in the agricultural sector and around 6-7 per cent on investment in the infrastructure by the public sector. These rough magnitudes are based on certain plausible assumptions relating to the plough-back of surplus or profit-type incomes. These magnitudes imply that the average borrowing rate for priority sectors, like agriculture, should not be more than 10 per cent, for the industrial sector should be less than 15 per cent (on the basis of its

capital structure, the yields on non-bank borrowing and the net yield, including capital appreciation, on equity) and for the public sector borrowing for infrastructure development should be less than 7 per cent. The rate on borrowing by the public sector non-infrastructure industrial enterprises should be the same as for the industrial sector.

Thus, on the basis of the recommendations of the report, the structure of interest rates whether administered or market determined) would be such as has the minimum rate of about 4 per cent and the maximum rate of less than 15 per cent. Of course; the short-term rates could be and have to be different and higher at times of inflationary pressures, which the Reserve Bank is expected to control through its various policy instruments.

It is unfortunate that the report does not examine in depth the factors, on the supply as well as the demand side, that determine the structure of interest rates. And it is equally unfortunate that the report does not examine the implications for the desired rate of growth of national income for the internal rates of return that should be realised on investment in various sectors. And this is the reason why the report is silent on the criteria for lending by the banks as well as the term lending institutions—thus ignoring the vital aspects of the development process, which the monetary and the financial system is expected to facilitate and stimulate for the attainment of the overall development objectives related to growth, stability and economic justice.

The report, however, has wisely recom-

mended a mix of administered and market determined interest rates. If the entire structure of interest rates is to be determined by the market, there would be considerable volatility in this structure and this would distort the decision-making process with regard to saving as well as real investment.

Further, the competition for financial resources among the financial institutions would result in a non-functional increase in interest rates-non-functional in the sense at it would not tend to raise the rate of saving in financial assets—and it would be dysfunctional in the sense that it would adversely affect real investment. The critical rates, and especially the long-term rates, need to be administered rates-of course administered in a flexible manner-for ensuring a reasonable stability of the development process. In the recent swing towards, what is called, deregulation, particularly in the United States, this vital aspect relating to the structure of interest rates is ignored and the result has been considerable financial instability and a functionless increase in financial transactions.

### IV

### Management Aspects

The functioning of the monetary and banking system depends critically on the nature, quality and style of top management. It is, therefore, surprising to find that the report has not touched upon the management aspects of the system. It is necessary to draw attention to some of the critical areas in this field.

(1) The functioning of the top management in the banks as well as the RBI depends



### BETRAYAL OF RURAL INDIA

### BHANU PRATAP SINGH

Former Union Minister of State for Agriculture

India has the potential of becoming one of the super Agri-powers of the world, but it continues even today as a margical case in food-self-sufficiency. The green Revolution which provided a short breathing space to Indian Planners, has withered away due to capital starvation of the Farm Sector.

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on (a) the selection process, (b) continuity of management by stability of tenure and purposive grooming of the successor team, (c) the degree of operational autonomy, (d) criteria for performance, and (e) incentives and feedback mechanism, based on performance evaluation. Lack of attention to these aspects has weakened the management system, increased political and bureancratic pressures and interference, and dampened the spirit for innovation and experimentation, so essential for the dynamic catalytic role of the system for the attainment of development objectives. The chairmen of banks have no fixed term tenure and can be removed any time, as some of them have been removed. Under such circumstances, how can one expect the top management to function effectively and efficiently?

(2) The Reserve Bank of India has played a very dynamic promotional role with respect to the development of the financial system and in this respect, it has been probably much more innovative than any other central bank in the developing countries. It started the ARDC and the IDBI as its own subsidiaries; and the reason given by one of the most imaginative finance ministers of India, T. F. Krishnamacham, for having IDBI as a Reserve Bank subsidiary is worth quoting. While introducing the IDBI bill in Lok Sabha, he said, "the Reserve Bank, I think, is today the institution, which can most appropriately guide a development bank of this kind. The Reserve Bank is, and I hope it will continue to be, free from the pressure of political or other influences. It is in a position to take purely objective view of our needs. I have no doubt that under the auspices and with the assistance of the Reserve Bank, the Development Bank will be able to discharge its fairly onerous burdens satisfactory. 12

The situation has changed since then and the NABARD-the former ARDC-and the IDBI are now independent corporations, owned directly by the government. Under this situation, there is an urgent need to insulate their functioning from ad hoc political and bureaucratic pressures and to co-ordinate their policies with those of the Reserve Bank and the banking system. Thus, there is a need for an inter-institutional board, under the chairmanship of the governor of the RBI, with the all-India banks and term lending institutions as members. Such a board can facilitate co-operation and coordination of the policies of the financial system and at the same time give advice and guidance to the government relating to its various policies, affecting the functioning of the banking and financial system.

(3) The report recommends "controlled competition" (p 178) among the commercial banks to induce them to introduce financial Innovations essential for accelerating the process of financial and economic development. However, one cannot generate such competitive impulses if all the nationalised banks are compelled to adjust to a Procrus-

tean bed prepared for the sake of dead static uniformity their chairmen have no security of tenure, and they are continually subject to undue political and bureaucratic pressures. The system has been weakened to such an extent that the banks would gladly give over the top management function to the government as probably they already have. One has simply to count the number of days in a month that the top management of the monetary and banking system are in Delhi seeking guidance and obtaining approvals for a variety of things (including for business trips abroad). Where is then the time or motivation for reflecting and concentrating on the critical top management tasks and functions with a degree of independence essential for competitive innovative functioning?

(4) After the nationalisation of the commercial banks in 1969, a fruitful concept of lead bank in a district had emerged. <sup>14</sup> The lead bank for the district was expected to perform not merely the traditional functions of deposit mobilisation and purveying of credit; it was supposed to play a catalytic role for the viable development of agriculture and small enterprises in the district by providing enterpreneurial, managerial and technical guidance in partnership with the other banks, state level financial institutions and various official and non-official agencies.

This fruinful innovative approach to district development has been completely forgotten in the subsequent years and attention is concentrated merely on branch expansion and purveying credit to the priority sectors in a manner that has created a serious problem of over-dues, which threatens to endanger the viability of the banking system. The banks have not been utilising even the services of the feeltnical Consultancy Organisations (TCOs), which have been created by them in association with the 1DBI, 1CICI and the 1FCI, with a view to providing effective technical assistance to small enterprises. 15

(5) For the formulation of policies and identifying the instruments with respect to monetary regulation as well as for credit and financial planning, it may be necessary to create the necessary machinery—decision structures and processes—within the Reserve Bank of India as well as within the banks—both commercial and development. 16

These are some of the critical aspects relating to the restructuring of the monetary and the banking system, and the report does not seem even to recognise these problems, let alone address them.

#### V

### Concluding Observations

After the report of the Central Banking Inquiry Commission, which resulted in the establishment of the Reserve Bank of India in 1935, this is the first report in the post-independence period dealing with central banking and the monetary system. As such,

it is a landmark in the literature on the subject, as Dandekar observes.<sup>17</sup> There has not been, so far, as Bhabatosh Datta mentions, <sup>18</sup> such a comprehensive treatise on the Indian monetary system.

The report has presented and discussed the role, functions and instruments of monetary regulation and policy in the context of India's development objectives and strategy with admirable clarity and lucidity. Its most significant contribution particularly in the present context is its unequivocal and forthright emphasis on price stability and fiscal-financial discipline as the essential prerequisites for the attainment of growth, stability and social justice.

This report doubtless should stimulate discussion with regard to not only the issues it has raised but also on the issues which it has ignored.

### Notes

- See Alexander Gerschenkron, Economic Buckwardness in Historical Perspective (Cambridge, Mass: Harvard University Press, 1962).
- 2 See Joseph A Schumpeter, Capitalism, Socialism and Democracy, (New York: Harper and Row Publishers, 1975), pp 291-93.
- 3 1bid, p 227.
- 4 See Bhabatosh Daita, 'Central Budget: Only the First Phase', Economic and Political Weekly, April 11, 1987, p 647.
- 5 See V M Dandekar, 'Monetary Policy for Independent Monetary Authority', Economic and Political Weekly, January 25, 1986.
- 6 See Bhabatosh Datta, 'Monetary Reform', Exonomic and Political Weekly, January 11, 1986.
- 7 John Hicks, Economic Perspectives (Oxford: Oxford University Press, 1977), pp 132-33.
- 8 See the editorial entitled 'Missed Opportunity', Economic and Political Weekly, November 2, 1985.
- 9 V M Dandekar, op cit.
- 10 R H Patil, 'Monetary Reform: Some Unresolved Issues', Economic and Political Weekly January 25, 1986.
- 11 On this, see V V Bhatt, Two Decades of Development: The Indian Experiment (Bombay, Vora and Co, 1972) pp 30-31.
- 12 See V V Bhatt, Structure of Financial Institutions (Bombay Vora and Co, 1972) p 4.
- 13 On financial innovations, see V V Bhatt, On Financial Innovations and Credit Market Evolution (World Bank: Economic Development Institute, 1987).
- 14 See V V Bhatt, Structure of Financial Institutions, op cit, Chapter t.
- 15 See V V Bhatt, Financial Institutions and Technical Consultancy Services: The Indian Experiment in Small Industry Promotion, (World Bank: Economic Development Institute, Sentinar Paper Number 24, 1981).
- 16 See Bhabarosh Datta, 'Monctary Reform', on cit.
- 17 See V M Dandekar, op eit.
- 18 See Bhabatosh Datta, 'Monetary Reform', op cit.

# Pieces of a Puzzle: Santhal Bataidars in Purnia District

Christopher V Hill

ANAND CHAKRAVARTI's recent discussion piece<sup>1</sup> which responds to some points raised by my article concerning ecology and agrarian relations in Purnia district,<sup>2</sup> poses some important questions. On the whole, I believe that Chakravarti and I are in basic agreement about the accuracy and historical significance of the oppression experienced by santhal bataidars in the Dharampur pargana. What minor differences we have, I think, arise from the fact that we come at the problem from different disciplines—I as an historian and Chakravarti as a sociologist. I would, however, like to address the issues he raises.

Chakravarti argues that a defect in my thesis is a failure to differentiate between the agrarian conditions in Dharampur before the Kosi river left Purnia in 1893, and "the stable condition after the river had left Purnia district?'3 I do not believe, however, that cultivation did stabilise after 1893, or that there was a marked difference in the tenuous agrarian situation after the main branch of the Kosi left the pargana. W W Hunter estimated in 1877 that it took half a century for the land overrun by the Kosi to be fit for minimal cultivation, which would mean that the cultivating system I described would still have been in practice in some areas well into the twentieth century; the Village Notes of Dhamdaha and Korha Thanas (which comprised the bulk of the Dharampur pargana), collected in 1924 and 1925, confirm that this was indeed the case. This does not mean that the santhals of the area were not subject to the oppressions noted by Chakravarti in his original article;5 on the contrary, I believe that it makes his argument stronger, by demonstrating the case with which land controllers could manipulate the bataidars.

Since the problems entailed in the unpredictability of the Kosi lasted well into this century (and, indeed, still do today),6 I think that Chakravarti's concern over differentiation is rendered irrelevant. Chakravarti is quite correct in pointing out that santhals did not become a numerically predominant minority until the turn of the century, but. I fail to see the connection between dcmographics and oppression. Simply because there were fewer of them in the nineteenth century does not mean that the santhals were secure. Within these parameters, however, it is important, as Chakravarti notes, to determine who were the major victims of oppression during the nineteenth century. According to the Annual General Report of Purnia District in 1877, the chief diara cultivators were migrants from Bhagalpur known as

dohatwars. The dohatwars, who were primarily dhanuks and dosadhs, steadfastly refused to move into the district; they were seasonal migrants only? Indeed, this is one of the major reasons non-resident claimants were able to obtain property rights in Dharampur with relative ease in the early decades of this century, when the santhals did form the primary group of bataidars.

Another relevant question raised by Chakravarti concerns the importance of pasture land and grazing within the diara area. Cattle raising was indeed an essential means of livelihood within the wilderness area that surrounded the Kooi, precisely because the land was fluctuating and unavailable for cultivation. At the beginning of this century, Purnia had more pasturage ground than any other district in the Bengal Presidency, and the dairy products from cattle specifically grazed in this area were in great demand in Calcutta.8 The point that nceds to be made here is that these cattlemen, whom Chakravarti refers to as "hardy rajputs and brahmans",9 were, in fact, elite absentee livestock owners from Bhagalpur and Darbhanga, who paid high prices to the Darbhanga Raj to graze their cattle in the Kosi diara area. 10 The actual cowherders were usually landless yadays, themselves victims of the same oppressors against whom the santhals eventually rebelled.

Finally, Chakravarti is quite right in criticising my use of the term raiyat. I too am uneasy with it; my thought was that given the constraints of the article, and the fact that I defined the various types of tenants and tenures within the diara area, the word would suffice I am not convinced that his use of malik sufficiently clears up the generality, but I am afraid that the issue of exact agrarian terminology is a continuous problem which we all face when

writing about agrarian hierarchy in south

In conclusion, I wish to state emphatically that I was not cursory in regards to Chakravarti's original article. As I stated in my previous piece in this journal, I believe his was, and is, an important work. While I am still firmly convinced that an understanding of the ecological phenomenon surrounding the Kosi region is critical to the history of the santhal struggle, it is but a piece of the puzzle which has yet to be completed in detailing the entire tragedy of the continuing oppression of the santhal bataidars in Purnia. I believe Chakravarti would agree with me that it is a puzzle which demands completion.

#### Note

- 1 Anand Chakravarti, 'Ecology and Agrarian Relations in Purnia', Economic and Political Weekly. vol XXII, no 41, October 10, 1987, p 1770.
- 2 Christopher V Hill, 'Santhal Bataidars in Purnia District: Ecological Evolution of Sharecropping System', Economic and Political Weekly, vol XXII, no 34, August 22, 1987, pp 1450-54.
- 3 Chakravarti, op cii,p 1770, Emphasis in the original.
- 4 W W Hunter, A Statistical Account of Bengal: Vol XV, Districts of Monghyr and Purnia, London; Trubner and Co, 1877, p. 334.
- 5 Anand Chakravarti, 'The Unfinished Struggle of Santhal Bataidars in Purnia District, 1938-42', Economic and Political Weekly, vol xx1, nos 42-43, October 18-25, 1986, pp 1847-65 and 1897-1909.
- 6 See, for instance, 'River of Sorrow', India Today, June 30, 1985.
- 7 Purnia General Bastas, vol 483, 1879-1880. Bihar State Archives.
- 8 L S S O'Malley, Bengal District Gazetters: Purnea, Calcutta: The Bengal Secretarian Book Depot, 1913, p 94; J Byrne, Survey and Settlement Operations in the District of Purnea (1901-1908), Calcutta: The Bengal Secretariat Book Depot, 1910, p 107.
- 9 Chakravarti, 'Ecology and Agrarian Relations in Purnea', p 1770.
- 10 Byrne, p 107.



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### **Empress Mills: A Rejoinder**

Naval H Tata

I WAS shocked to read in your journal dated February 6 a lengthy article on Empress Mills, full of several mis-statements ('A Pyrrhic Victory: Government Take-Over of Empress Mills' by Anuradha Ghandhy and Ajit Kumar). More than the mis-statements I am intrigued that, in a journal which claims to deal with high standard of economic problems, you have seemed to ignore the basic postulate of 'economic viability' as the root cause behind the success or failure of any industrial unit. I can well understand that our government can, in pursuit of its populist policy, follow a misconceived approach by not permitting closure of industrial units. But I cannot understand a highly intellectual journal like yours, overlooking almost an axiomatic nexus between 'industrial sickness' and 'economic viability'. It is a great tragedy that, even at such a late stage when we have suffered from an epidemic of industrial sickness, our government has not yet appreciated the root cause behind it, viz, our mistaken policy of not permitting timely closure of an industrial unit, when its economic viability is in peril. Even when an employer has no resources to pay wages or pay for his power and fuel bills, our trade unions and our benign government under our labour laws prevent management from closing the unit, on grounds of social injustice to workers.

Let me reproduce at least one of the several utterances I repeatedly made on the subject at the Annual General Meeting of the Employers' Federation of India in May 1985.

Equally sacred is the right of an employer to close down an uneconomic industrial unit Yet, our labour laws, despite two elear-cut verdicts by judiciary, call for a prior notice. after which the government has assumed in a recent amendment the right to turn down an application to close down a unit on grounds of public interest. If government has doubts about the bona fides of an employer, may I respectfully point out that no industrial employer would like to eut his own financial throat to spite his workers. On this sensitive subject, should not we learn from the long drawn out eoal miners' strike, where government of UK faced an ordeal lasting a year in order to establish the axiomatic right of an employer to close down an uneconomic unit? I do appreciate the anxiety of the government to protect employment. However, that could be better achieved, through a realistic legislation encouraging mergers and take-overs, offering tax relief. it would be a sad day for our country, if our rulers hope to protect employment by trying to rely on the graveyards of dying industries.

Realising that it is not enough to merely criticise and not suggest simultaneously a constructive remedy, I was perhaps the only employer to suggest a remedy, as evidenced in my address as president-Emeritus of The

Employers' Federation of India at the 12th Industrial Relations Conference held in Madras on January 9-10, 1987.

India is perhaps the only country, next to France, which has nullified the right of closure which the Supreme Court had declared as a fundamental right. We have repeatedly appealed to our government that the 90 days' notice we are required to give to government seeking permission to close down is totally unrealistic. For an employer to forecast such contingency three months ahead is almost impossible. No employer, in his right senses, would close down his unit except through compelling cucumstances beyond his control

Unfortunately, our persistent appeals have tallen on deaf ears since government has a moral obligation of protecting employment. Such an attitude of generating employment by trying to keep alive marginal or sick units spell industrial suicide. However, government has persisted in its approach.

On re-thinking, some employers felt that it is not enough for us merely to appeal to government not to prohibit closure without a voluntary gesture on the part of employers for a timely relief to those unfortunate victims of closure at least for a reasonable period of time. We are, therefore, doing an exercise in loud thinking whether, through establishment of a National Rehabilitation Fund, the purpose could be served. Since there are 22 million organised workers, we argued whether contributing a merely Rs 20 per worker animally, which would aggregate to Rs 44 crore, could provide some immuni ty to the workers. Moreover, on law of probability, all tragedies do not occur at the same time; half the amount collected could be used for an insurance cover to meet more widespread contingencies. Such fund could be further reinforced if every organised worker contributes merely Rs 10 annually to such a Fund.

Since no visible notice seems to have been taken on such constructive comments, India is today paying its penalty in a variety of forms at the cost of the tax payer. Let me quote the headline from Financial Express of March 9 indicating the price we are paying for industrial sickness: 'Rs 4,874 crore Bank Credit Blocked in Sick Units'. This could only be avoided by having an all-India Contributory Insurance fund of the type I have suggested. Even late in the day, government should initiate a tripartite contributory insurance fund to tackle this tragic problem.

Taking this very argument nearer home, Mr Editor, may I put you an impudent question? God forbid, should the circulation of your Economic and Political Weekly suddenly collapse to an uneconomic level and you are unable to prop it up with best of your efforts, would you under our labour laws continue to pay all your employees year afteryear and meet all your standing charges

indefinitely? What is the alternative you have, if the law does not permit you to close down?

The article by Ghandhy and Kumar should have also taken into considertion the fact that out of a total of 650 odd textile units, Empress Mills was not the solitary tragedy to write about. Over the years, as many as 118 units had to wind up and be taken over by National Textile Corporation. They are all still languishing under government management, despite extensive subsidising, at the cost of the tax payers incurring losses of hundreds of crores of rupees to government. In addition, scores of additional units were even recently ripe for liquidation which ultimately compelled the government to come out with one of the most generous excise relief ever granted to the industry, in the recent budget. Despite this eleventh hour relief, many knowledgeable people believe that the industry is still vulnerable, largely through continuous misconceived policies of government and not solely through malpractices and mismanagement of the millowners, as trade unions frequently allege.

In the light of my foregoing arguments, was it fair on the part of Ghandhy and Kinmar to single out Finpress Mills in their article rather than ventilate the grievances of an industry? Maybe the intention of the article was to condemn Tatas in isolation for the sins of an industry.

May I now turn to several mis-statements and briefly comment on some of them. It is difficult to verify a number of statements made in the article, since there have been four generations of managements, in the mills' history of over hundred years. Nor are records available to testify or deny a number of allegations. I would, therefore, confine myself to a few mis-statements which need to be answered. For the sake of brevity, I would tabulate them.

(i) I am glad that the article mentions that the workforce of the mill at one time was 22,000. Here is a concrete proof of trade union tyranny. It was through successive strikes, a militant trade union leader, Ruikar compelled the management under Sorab Batliwalla to accept an absurd loom/labour ratio of one worker for a single loom in return for promise of working three shifts. The management in order to buy peace, unfortunately, yielded. Needless to say, no textile unit can ever afford to work on such a lavish complement of labour and yet earn profit.

Surprisingly enough RMMS claims credit for bringing it down to 7,120 workers, as a magnanimous act. However, RMMS should appreciate also the fact that it did a lot of damage to the unit through such unreasonable demands in the past Suffice it to say that even at the level of 7,120 Empress Mills' complement was considerably out of tune with the normal parity of loom/labour ratio of the industry.

(ii) It is a total distortion of fact to allege

that "the exercise of getting an IDBI loan was a mere decoy to mislead the workers and that Tatas had decided to let Empress Mills die". The truth of the matter is that Ratan Tata moved heaven and earth to rehabilitate the mills through IDBI package. The very fact that at a time when Empress had no resources Tata Sons had, on sheer moral grounds agreed to contribute Rs-2.50 crore out of IDBI's total rehabilitation package of Rs 8.60 crore disproves the allegation. The real problem was a pre-condition for the package in terms of 'rationalisation measures' to be undertaken by the management. It was here where considerable time was unnecessarily wasted by RMMS in bargaining over the quantum of workers to be affected through voluntary separation. In the meantime, the mill, in a state of unproductive working, was daily incurring colossal losses. Despite sincere efforts of Ratan Tata, no settlement was forthcoming. In fact, Ratan Tata had the most difficult task of convincing his colleagues on Tata Sous Board to keep Tata's commitment to [DB] alive. With continued uncertainty, with no labour settlement and mounting losses, Tata directors were reluctantly compelled to go in for liquidation. Had this dealy been avoided at the cost of some sacrifice to RMMS, perhaps the IDBI package scheme may have gone through.

(iii) To say that "Tatas have already made crores of rupees and now have got rid of the liability" is perhaps the most uncharitable remark by the authors of the article. In making this remark, the authors have have overlooked the historical fact that the textile industry has been the real origin of India's industrial development. Most of the successful industrial houses of India had their origin in textile industry. To that extent, India's industrial growth was in no way a case of 'robbing Peter to pay Paul'. Currently, a number of industrial houses are in the same unfortunate position as Tatas, in the matter of Empress Mills. The famous Calico Mills, far more prosperous than many others, is in similar trouble. Yet it would be most unfair to say that Sarabhais having made crores, have got rid of the liability. Similarly, a traditionally prosperous mill like the famous DCM is undergoing pangs of vicissitudes and may have to face similar situation as Empress Mills, if another of government's misconceived policies of not letting the millowners sell their land is rigidly pursued in their case. Therefore, an industrial house which has initiated dozens of. successful industries and happens to fail in one of them should not in fairness be condemned on the grounds that they had a foul motive in abandoning a unit. Such occurrences in form of solitary failure are common all over the world amongst most successful industrialists.

In closing, let me point out that sad as was tragedy of Empress Mills, both for thelabour and Tata's reputation, it nevertheless carries a stern warning. If the government does not think in terms of a constructive scheme of a tripartite contributory scheme for rehabilitation of sick units, the epidemic of industrial sickness will undoubtedly create far greater tragedies in number and of far greater magnitude than that of Empress Mills.

Furthermore, trade unions will have to appreciate that with the demographic dimensions of this country where we produce 49,000 newly born infants a day, industry simply cannot create employment opportunities for additional manpower. Our salva-

tion, therefore, lies in agriculture, agroeconomics and small-scale industries, co-operatives and self-employment. Hence, trade unions will have to be reconciled with continued demand for progressive rationalisation of labour, particularly in textile industry. More so, since our government is relying more and more in form of exports of cloth and garments. Such expectation would be impossible unless we are in tune with international parity in productivity of labour to be able to compete with Taiwan, Korea and Hong Kong.

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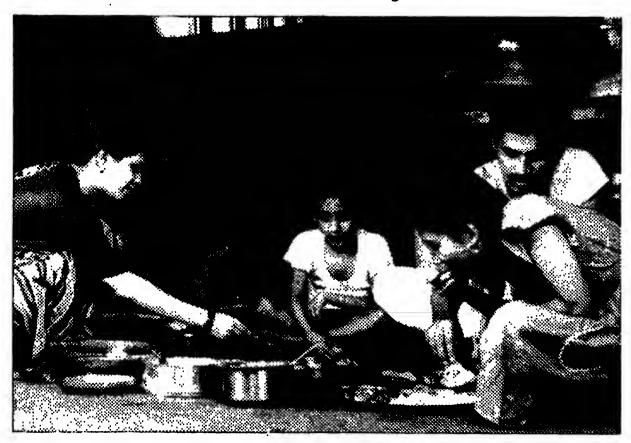
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### Irrigation in Asian Rice Farming

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The promotion of small industry has been one of the five objectives of India's industrial policies and plans. In practice, however, small industry has not been given sufficient impetus for growth in the overall strategy of industrialisation. This is borne out by the fact that public sector outlay and total investment in the small-scale sector in all the five-year plans has been relatively meagre. A review of the Indian experience.

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It is important to examine both the theoretical approach and the practical evolution of decentralised planning in West Bengal—the extent to which the experiment has succeeded, the problems it has faced and the portents for the future. 655

### Plight of Jodhpur Detenus

IN order to see the conditions in which the Jodhpur detenus have been detained in the Jodhpur Central Jail, we visited the place on February 27 and three of us, being lawyers, had long interviews with about 30 of the detenus, in three batches. Some of us have interviewed the detenus on other occasions also. We have gone through the charge-sheets, filed by the police against the detenus in order to understand the allegations made against them and to ascertain the strength of the prosecution case.

There is only one case filed by the police against all the 364 detenus of Jodhpur jail. Two charge-sheets have been filed against all these detenus, one on January 15, 1985 and the other on March 25, 1987. In the charge-sheets a detailed account is given of the circumstances in which the Indian para-military forces entered the Golden Temple on June 5, 1984 and the exchange of fire that took place on the occasion. Curiously enough, not a single criminal act has been alleged against any one of the 364 detenus, in either of the two charge-sheets. The only thing alleged against them is that they were in the Golden Temple when the para-military forces entered it and that they did not come out even though they were repeatedly invited to do so. Obviously it is possible that they might not have come out of the Golden Temple in pursuance to the invitations because it was extremely risky for them to do so. There is thus no allegations against any of the detenus from which it can be inferred that they are guilty of serious offences such as "waging war against the government established by law" which have been alleged against them.

These detenus have been in jail for nearly four years without any trial, and in view of the superficiality of the allegations made against them their continued detention is entirely unjustified.

While the release of 40 of these 364 detenus is welcome, it is not possible to understand how these 40 are to be distinguished from the remaining 324 detenus and why these other detenus are being kept under detention. All these detenus are to be released forthwith.

Since these detenus are under-trial prisoners and since they are presumed to be innocent till their guilt is established, they should be treated better than convicts. Actually they are given a treatment, which in many respects, is worse than the treatment given to the convicts. The convicts can be interviewed by relations as well as friends. The Jodhpur detenus can, however, only be interviewed by their parents, brothers, sisters and adult children. Other relations cannot visit them, neither friends nor minor children. Then relations have to go all the way from different parts of Punjab to visit them in the Jodhpur jail, but after going there they find it extremely difficult even to see the detenus and

.

to have conversations with them.

The detenus and the visitors are kept in two different cages with iron bars and wire-netting and the two cages are at the distance of about 8 ft with a corridor in between. In the case of convicts and other prisoners, there is only one wire-netted wall between the prisoners and the visitors, but the detenus are separated from the visitors by two cages set apart from each other. There is no justification, whatsoever, for this discrimination.

Great hardship is caused to the detenus and their relations because the latter are kept at a place nearly 600 kms from their usual place of residence. There is no reason, whatever, why the detenus should not be shifted to some place in Punjab.

Being under trial prisoners, the detenus are entitled to the facilities, like in-door games, transistors, etc. which are being denied to them. Even the newspapers being supplied to them are censored with all the news about Punjab being cut off before they are made available.

The medicines prescribed by the jail doctor or by medical experts are not made available to the detenus in time. The conditions of detention are so bad that 23 of them are said to have been affected by different degrees of mental illness.

In the circumstances the Jodhpur detenus should be released forthwith. If they are not released immediately they should be transferred to a convenient place in Punjab and should be given a treatment appropriate to persons who are under-trial prisoners and who are presumed to be innocent till their guilt is duly established

V M TARKUNDE, AUROBINDO GHOSE, T S AHUJA, NAVIEJ SINGH People's Union for Civil Liberties and People's Rights Organisation, Delhi.

### Suppression of Nagpur Municipal Corporation

THE Nagpur Municipal Corporation has commenced demolishing road-side stalls on an unprecedented large scale. This development has come in the wake of supercession of the elected municipal body. The supercession is supposed to be the result of an administrative enquiry which, to nobody's surprise, has found the municipal corporation to be riddled with various forms of corruption. The new administrators (there are already two of them within a span of hardly more than one month) are trying to gain some support for the supercession through this dubious move of demolition of road-side stalls.

No brief need be held for corruption, municipal or state. That corruption needs to be exposed and checked and the corrupt need to be brought to book—there is hardly any dispute on this score. But indiscriminate supercession of local bodies undermines

whatever little decentralisation and scope for local initiative remains in this ultra-centralised polity of ours. It is needless to add that entrusting the civic services to a career bureaucrat is not a sufficient guarantee against the possibility of corruption.

It must be emphasised that the road-side stalls and kiosks spring up and exist in the first place because they fulfil certain vital civic needs. Depriving the citizens of these services and depriving a large number of self-employed persons of their livelihood for the sake of justifying a dubious and undemocratic act of supercession which is a result of the internal feuds within Congress(I) rather than any serious concern about corruption must be unequivocally condenned. Since quite a few of these selfemployed persons must have availed of the highly publicised bank loans (Poojary's loan mela, etc), this injudicious action would have an adverse effect on their ability to repay these loans and subject them to further harassment by banks through litigation.

A campaign to make the state government retrace its steps in cases of all such supercessions and to mobilise public opinion so that the state government feels restrained from acting in such an undemocratic manner is an urgent need. CPDR, Nagpur, appeals to all individuals and associations concerned with upholding democratic rights to take up these issues in right earnest.

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### Stock Market after the Budget

Three weeks is certainly a long enough period for the stock market to appraise thoroughly what eminent tax experts, economic and political pundits and investment counsellors have had to say about the union budget as also to make its own independent assessment of how the fiscal strategy spelt out by N D Tiwari will influence the investment climate and the outlook of equities. Going by its post-budget behaviour it would appear that the market regards the budget as almost neutral—neither bearish nor bullish. While the market had no doubt been looking forward to quite a few direct incentives for investors, it had never really taken anything for granted which is well borne out by the fact that it stood at its year's low on February 25. The market edged its way up after the budget, leaving the February 25 low mark well behind.

The post-budget recovery which lasted till March 11 was attributed to massive institutional buying of a large number of shares including some pivotals in the 'specified' list and to renewed speculative support inspired by some favourable factors—relaxation of the curb on trading in 'specified' scrips, keeping in abeyance of the pari pussu clause permitting delivery of new shares against old shares subject to price difference of dividend for the previous year and flow of encouraging corporate news by way of increased profits or enhanced dividends or bonus issues.

Following the union finance ministry's communique to the major stock exchanges, the Bombay stock exchange decided on March 8 to implement the first stage of phase two of the Dave Committee's recommendations with effect from March 11. Accordingly, members have been granted a carry-forward facility from one settlement to another to the extent of Rs 25 lakh out of which purchases would be up to Rs 15 lakh and sales up to Rs 10 lakh and these two limits are mutually exclusive. Besides, carry-forward in individual scrips is to be restricted to Rs 5 lakh. The authorities have also prescribed daily margins—3 per cent for buyers and 6 per cent for sellers—in respect of 35 of the more active scrips in the 'specified' list. A committee of brokers has been constituted to monitor the implementation of the carry-over facility.

The stockbroking community which lives mainly on speculative activity has everything to gain from the relaxation of curbs on trading in 'specified' shares. While the market's immediate reaction has been favourable, the carry-forward facility can by no means be regarded as a bull point. Its bullish or bearish implications will depend necessarily on whether the overall situation is favourable for bulls or bears.

In view of the sharp recovery in equity prices after the budget technical considerations alone favoured corrective profit-taking. With higher levels failing to attract follow-up support and institutional investors inclined to go slow and the two mutual funds promoted by SBI and Canara Bank jumping to cash short-term gains, even modest selling was

enough to depress prices. Technical considerations apart, market sentiment was adversely affected by quite a few other factors. The steep hike in the price of naphtha used for fertiliser units as fuel for steam generation, nation-wide raids on the R P Goenka group companies for alleged suppression of production figures, income tax evasion and FERA violation and reports of payments problems in some of the minor stock exchanges—all these contributed in varying measure to the deterioration in trading sentiment and the market's sharp retreat.

Where does the stock market go from here? There can be no easy answer to the apparently simple question. It is one thing to prepare a detailed balance-sheet of bull and bear points but quite another when it comes to determining whether it is in surplus or deficit. There is no way of quantifying the impact of various factors on equity prices. Much depends on one's value judgment. The overall behaviour of the market does not provide any convincing clue about its next big move. Over three months have gone by since the market registered its lowest point on December 10. The market has had its ups and downs during the intervening period but these have had no bearing on the underlying trend. In the absence of any positive reversal signal it would be logical to maintain that the bear market is still in progress. But that is not saying much really. This is especially because the bear market is already two years old and equity prices have registered heavy Jeclines from their all-time highs touched in February 1986.

The stock market is not unaware of the plight of the nation's finances-burgeoning deficits, rising indebtedness, growth in non-plan and wasteful spending. Since the stock market is known for discounting all the known factors, it can be argued that the current state of the market reflects all the known adverse factors. According to one study, the market capitalisation of 51 large companies shows a decline of 13 per cent over the past year. The Economic Times index of share prices showed a fall of 6.6 per cent during the same period. The state of the new issue market is much worse than that of the secondary market. The government is greatly exercised over the depressed state of the stock/capital markets. It has begun intensive monitoring of the price movements on the major stock exchanges after the relaxation of the ban on carry-forward deals. Financial institutions have enough investible funds to absorb any number of shares on offer if they find prices reasonably attractive. This is a major bull factor which bear speculators can ill-afford to ignore. Good growth shares are already in short supply. Should the monsoon turn out to be really good this time, the stock market scene could undergo a profound change. A good many shares are beginning to look rather cheap. If prospective investors are still shying away from the market it is mainly because of the fear that the cheap may become still cheaper.

#### **DEFENCE BUILD-UP**

### **National Misadventure**

BOTH the ruling party and the opposition are abetting a national adventure in self-delusion when they unanimously agree on increasing defence expenditure. India's successful test firing of the Prithvi surface-to-surface tactical battlefield missile system was hailed by all the political parties as a great achievement since with it India joined the select group of four nations who have developed surface-to-surface missiles. But to the public's query about how much is being diverted from the tax-payer's poekets to the manufacturing of these expensive and murderous weapons, the government refuses to divulge anything. During the concluding week of the last Lok Sabha session, the minister of state for defence told members that it would not be in the public interest to give details of expenditure incurred on the missile system.

Similarly, no details of the cost on the Sri Lankan operation are available. We only know from the budget that the transportation costs of the army jumped by Rs 55.29 erore in 1987-88. Opposition members in parliament prefer to remain in ignorance of these vital matters—all on the plea of safeguarding national interests!

The rising expenditure on defence from Rs 12,000 crore in 1987-88 to Rs 13,000 crore in 1988-89-is matched by India's increasing humiliation in military operations. By making the mighty Indian army eat the humble pie, the Tamil guerillas must have deflated the ego of the bureaucrats in South Bloc who got the country embroiled in the messy war in Sri Lanka. Even within India, people still remember the not very heroic performance of the army in Punjab where during the Bluestar operation it had to suffer heavy casualties. The more paramilitary forces are deployed in Punjab, the more the terrorists appear to gain in strength-the latest highlight in their exploits being the use of, Russian-made RPG-7 rockets to attack a CRPF camp on March 22. Weapons are no longer the monopoly of governments in today's international seenario. If the Indian government ean buy the latest gadgetry in warfare, the terrorists can do the sameor even have the last laugh by buying something superior, given the cash flow from sources all over the world. The LTTE in Sri Lanka had demonstrated suceessfully how to outmanoeuvre the Indian government, by pretending to depend totally on New Delhi for its arms supply (during its honeymoon before the Sri Lanka-Indian accord) while simultaneously buying superior armaments surreptitiously from other sources. The latter are standing them in good stead now in their fight with the IPKF.

It is obvious that in a bid to constantly outmatch its neighbours, India will have to drive faster and faster in the endless arms race, just as to outwit the terrorists it pours more and more arms and armed forces in Punjab-both exercises in futility. On retiring, the GOC-in-C Southern Command and overall commander of the IPKF, Lt Gen Dependir Singh acknowledged sometime ago that no insurgency problem could be solved militarily. On the Puniab question too we sometimes hear talk of the need for a political solution instead of a military one. But such wisdom gained from hindsight is never put to any use. The drive for enlarging the arsenal with sophisticated weaponry and swell the defence establishment with canon-fodders has its own momentum. With every year defence is biting off larger and larger chunks from government expenditure-all to be used in suicidal adventures in the neighbouring countries and repression on the people within India.

# WEALTH TRANSFER TAX Caricature of Estate Duty

IN 1985 when estate duty was abolished, the reason given was that the estate duty law was complicated and, as the finance minister now puts it, this particular tax "led to procedural harassment to large numbers of tax-payers at a time of great distress, with negligible gain in terms of revenue". No heed was paid to the argument that inheritance was the principal source of concentration of wealth in any society and that if taxes linked to inheritance were not effective enough, what was called for was to make them more effective and not to do away with them altogether. Our government did precisely the latter. Now three years later, the government is reintroducing a tax on wealth transfers through inheritance but confining it to only wealth tax assessees who will be liable to pay the tax at "five times the applicable wealth tax rates".

Surely there can be no objection to the reintroduction of a tax on property transfers on death, but the questions that need to be raised concern the manner of doing it. Firstly, when should the rate of tax on transfers of wealth be linked to the wealth tax, knowing fully that the latter is a tax whose rate is deliberately kept low so that, as far as possible it is within the eapacity of the tax-payer to meet his tax liability out of the income from his wealth-unless, of course, he chooses to keep his wealth deliberately in forms which yield little or no income. The intention, in other words, is not to eat unto the wealth of the tax-payer. On the other hand, the wealth transfer tax is meant to reduce the wealth of a tax-payer on his death so that what he is able to transfer to his successors is distinctly smaller. Therefore, to fix the rate of wealth transfer tax at only five times the rate of wealth tax payable by an assessee is to make a

moekery of the whole measure,

Secondly, why did the government have to designate the new impost as a tax on wealth transfers instead of as estate duty? To deprive the states of any elaim on the revenue from the tax?

### POLICE

### Free from All Restraints

RECENT events in Delhi indicate that the police are being given full powers—both written and unwritten—to suppress any protest. Operation brutality, which till now had been usually reserved for the unorganised poor like slum dwellers or migrant labour, is now being extended to the capital's middle classes like opposition party activists and journalists.

During the last Bharat bandh, women activists of the CPI(M)-led Janwadi Mahila Samiti were beaten up when they were picketing in Connaught Place. The police then arrested them, took them inside the local thana and when one of them demanded the name of a constable who had earlier beaten them, the constable went berserk and hit her with a lathi breaking her arm. Earlier a similar incident took place when during the 'Great Freedom Run' in the capital, a reporter from a well known fortnightly was assaulted by the police in the presence of the Lt Governor when he asked an assistant commissioner of police his name after the latter had shouted at and abused the reporter. Still earlier, in January, during a melee over the lawyers' strike a woman photographer when she was taking snaps was roughed up by policemen who took away her camera and broke it. In all these cases, complaints had been made to the relevant authorities but to no

While in Punjab a panic-stricken police force are literally fleeing from the terrorists abdieating its responsibility to protect the life and property of the innocent eitizens, in Delhi they are demonstrating their might at the expense of unarmed women and middle class professionals. Delhi's people are increasingly developing an aggressive sense of animosity against the police, the high-profile presence of which in the streets has turned the capital almost into a minefield. Gun-toting security guards ehallenge and harass citizens at special police posts set up every few yards. Unable to apprehend the terrorists who ean swoop down upon people killing them indiscriminately at any time of the day and night, the police take it out on the innocent. To the cancerous corruption and inefficiency of the local police force is now added the brutal arms power of the numerous security forces ranging from the CRPF to the black commandos who patrol the streets.

Given the growing anti-police mentality of the people, it is no wonder that the average citizen today derives a vicarious satisfaction from the killing of policemen by terrorists in Punjab. Unwilling to spare a single drop of tear for a universally hated repressive force, the citizens appear to nurse a sneaking admiration for terrorists who kill a notorious policeman—reminiscent of the mood of the people of Calcutta during the 1969-70 period when the Naxalite policy of annihilating policemen often reflected the popular desire for revenge against the oppressive police force.

If the trend of arming the police with wider and arbitrary powers continues, the public-police relations will further deteriorate leading innocent citizens to seek protection from local gangsters or terrorist groups (as is happening in Punjab) from police harassment. Apprehending this, the National Police Commission recommended several measures suggesting a greater measure of accountability on the part of the police. In Delhi (and in some other states also) protection under the provisions of Section 2 of Section 197 of Cr PC has been extended to all members of the police, under which no court shall take cognisance of any offence alleged to have been committed by them, "except with the previous sanction of the central government". The National Police Commission recommended that the "public complainant should...be free to piess his complaint against a police officer for a judicial pronouncement without there being a need to obtain permission from any body"(Eighth Report). But instead of removing constraints to allow the citizen to seek redress from courts and compel the police to be accountable, the government in its drive to deprive the citizen of his/her fundamental rights is increasingly arming the police and the other paramilitary forces with extraordinary powers and freeing them of whatever little accountability that was there in the past.

### DARJEELING

### **Dangerous Course**

A correspondent writes:

THE 40-day 'Gorkhaland' bandh from February 10 to March 20 is unprecedented-in its duration, in the state repression on a massive scale and in the violent means adopted by the Gorkha militants. The reimposition of the notorious Anti-Terrorist Act was itself a response to a fresh militant phase of the Gorkhaland movement. The GNLF and its frontal organisations had decided not to compromise on the nomenclature of the hill development council and the demand for the inclusion of parts of Siliguri and Dorars in the council. Indeed, militants in the organisation who were demanding nothing short of a separate state of Gorkhaland attempted to gain control of the organisation. The West Bengal government reacted by reimposing the Anti-Terrorist Act which perhaps marks a new phase in police repression.

The West Bengal police and the CRPF let loose a reign of terror in the three subdivisions of Darjeeling, Kurseong and Kalimpong. The police and paramilitary forces resorted to the usual brutal methods. An eyewitness described how her husband, David Mukhia, a school teacher, was shot in cold blood even though he was not a GNLF activist and had come out with hands raised when summoned by the police. The West Bengal government has justified the police repression by citing the violence and arson indulged in by the GNLF. But it seems that this violence was provoked and preceded by the violence of the police and paramilitary forces.

There is a deep sense of frustration among the militants in the GNLF at the way their demand for genuine autonomy has been manipulated by the centre and the state government. The proposed hill development council does not ensure any real autonomy to the Gorkhas. The council will be totally dependent on the state for financial assistance since the income from realisation of taxes will be meagre. They will only have control over the pauchayats and municipalities. With no say in matters of law and order and other key administrative functions, they will have virtually no political power worth the name. On top of it, the CPI(M) is opposed to the GNLF demand for the inclusion of the term Gorkhaland in the name of the council. After all, the Gorkhas do have a national identity by virtue of the fact that they have a distinct culture, language and economy and that they are a majority in the three sub-divisions of Darjeeling, Kurseong and Kalimpong. The slogan 'no more division of Bengal' is distinctly parochial. Indeed, the Bengali chauvinism of the CPI(M) is an affront to the Red Flag.

### **PALESTINE**

### Rising against Israeli Repression

THE intifada or uprising in the West Bank and Gaza Strip since December 9 last year basically reflects the resistance of the Palestinian people against armed occupation and a continuation of the struggle for self-determination and national independence. During the last twenty years of occupation the Palestinians of the West Bank and Gaza Strip have been subjected to violence, repression and terrorisation, detention without trial, deportation, confiscation of their land, demolition of their houses, illegal jewish settlements, and systematic attempts to destroy their nationalist consciousness

and self-respect.

At the forefront of the present uprising is Palestinian youth, many of whom were born after 1967, the year in which Israel seized Gaza from Egypt and the West Bank from Jordan. This generation has known nothing other than the oppression of Israeli military rule. They account for a large proportion of the 103 Palestinians killed (UN figure as on March 21) in the present uprising. Behind them are the peasants who have been deprived of land and water, university educated young men and professionals with dim prospects, the urban petty bourgeoisic squeezed by Israeli control of the economy and generally the middle class who have participated in the econmercial strikes.

One gets the impression of a great deal of spontaneity but there is obviously some form of co-ordination and organisation. What direct role the PLO, the Democratic Front for the Liberation of Palestine (DFLP) and the Popular Front for the Liberation of Palestine (PFLP) are playing is not known. The political tenor of the uprising appears to be non-partisan. Israel's 7,50,000 Arab 'citizens' have demonstrated their solidarity with the Palestinians by organising a 24-hour protest strike which is perhaps indicative of some degree of identification with the Palestinians of the occupied territories.

For the right wing Likud bloc, the dominant partner in the Israeli coalition government, the latest 'disturbances' are simply another wave of externally fomented unrest which can be put down with a firm hand. The Likud insists on Israeli sovereignty over the occupied territories. It wants direct negotiations with the few Palestinian collaborators over some form of limited self-government. In the Israeli labour party and the 'liberal' press, there is much hand-wringing and bewailing of Israel's fate if it does not do something to diffuse, what they call, the 'demographic time bomb'. At present Jews outnumber Arabs within Israel and the occupied territories taken together by 67:37. But given the higher birth rate among Palestinians, the Jews could be outnumbered by 2010. At that point, the 'liberals' forecast, if no settlement is reached, Israel will either have to absorb the Palestinians as citizens in which case the character of the Jewish state will have to be compromised or will have to keep them in subjugation in which case Israel will have to 'sacrifice its democratic credentials'. Such are the democratic pretensions of Zionism.

Israel's alliance with the US remains rock solid and unshakable. The Reagan administration presently provides Israel annually \$ 3 billion in economic and military aid. The US recently vetoed a Security Council resolution calling upon Israel to stop violating the human rights of Palestinians in the occupied West Bank

and Gaza Strip and to implement the fourth Geneva convention which regulates the treatment of civilians under occupation. It also called for the Arab-Israeli conflict to be settled under UN auspices. The recent US plan is basically an attempt to create a 'liberal' occupation (by definition, occupation means forced subjection of one people by another, so how can it be liberal?) in the short-term and to isolate the PLO in a any long-term solution that may emerge.

### UNITED KINGDOM Rich Get Richer

R N Junankar writes:

THE chancellor of the exchequer, Nigel Lawson, presented his fifth budget for 1988-89, to the House of Commons on March 15. This was the ninth successive budget under Margaret Thatcher's Conservative government. It was welcomed by the rich but it was greeted with apprehension and dismay by all opposition parties. The chancellor who had sufficient resources available has decided to do nothing to alleviate the well-recognised cash crisis in the National Health Service, to help the state education system or to help the poor and unemployed. Instead, he deliberately chose to use these resources to make the rich people even richer.

The budget is predicated on a 3 per cent growth of GDP and 4 per cent rate of inflation. The main aim of the budget is to control inflation and to provide incentives for private sector growth by reducing tax rates for the rich. The overall aim is to obtain a balanced budget although a £ 3 billion surplus is forecast for this year. Tight monetary policies are being followed and exchange rates are to be maintained at a high level to control inflation.

The income tax system has become less progressive: the top tax rate has been decreased from 60 per cent to 40 per cent and basic tax rate reduced to 25 per cent for taxable incomes up to £ 19,300. Personal allowances (non-taxable) have been raised by twice last year's inflation rate. Additional measures include a single 40 per cent tax rate on inheritance for a higher threshold, capital gains to be taxed at the marginal rates on a lower threshold on disposals made after April 6, 1988 in relation to a new base date while gains made prior to March 31, 1982 are to be exempt, an unchanged corporation tax of 35 per cent, VAT to continue at 15 per cent, and no tax relief of new non-charity covenants while existing covenants for students will continue to have tax-relief and mortgage interest relief will continue to apply up to £ 30,000 but from August 1988 it will apply to the property not the number of borrowers. Some deduction for income and corporation taxes which were previously allowed have been ended, e g, expenditure on commercial woodlands.

business entertainment, while the company car tax scales have been doubled. Excise duties on some products have been increased: petrol by 5.5 per cent; cigarettes and cigars, and beer and wines up marginally. Duties on vehicles and spirits have been kept unchanged. A major change for 1990 was announced: married women's incomes would be treated independently of their husbands'.

This budget is targeted towards those who are already rich. It is estimated that the 5 per cent of the top income earners will benefit by some £ 1.75 billion from the income tax cuts while some 30 per cent at the lower end will hardly gain anything. Those in between, progressively gain more the higher upon the income scale they are. This development coincides with the com-

ing into force of a new and more tightly income-related system of social welfare benefits. The low paid and the pensioners are, in fact, going to be slightly worse off than today. The fact that the levels of national insurance contributions remained unchanged (starting at 5 per cent and rising to 9 per cent) linked to income levels but up to a fixed maximum means that the overall gains of those at the top are even greater. In contrast, increases in medicine charges and those for dental and optical services, announced earlier, mean greater hardship for the lower paid and the elderly among the population.

The 1988 budget finally ends the myth about the UK being committed to egalitarianism or it being a caring or compassionate society.

### **BUSINESS**

# COTTON CORPORATION Efficiency Penalised

NEVER before had the Cotton Corporation of India performed so well as it did in 1986-87 (September-August). Sales set new records—up over the previous year by 40.7 per cent in terms of volume (14.88 lakh bales against 10.57 lakh baler), and by 21.2 per cent value-wise (Rs 365.61 crore against Rs 301.74 crore). Export sales also were the highestever-3.76 !akh bales; inclusive of sales contracted in the preceding year, shipments during 1986-87 totalled 4.78 lakh bales valued at Rs 87.56 crore. The corporation purchased during the year 8.23 lakh bales of which 4.55 lakh bales were under price support operation but the corporation did not have to avail of a single rupee from the budgetary subsidy of Rs 48.19 crore provided for losses under price support operations during 1986-87. The stock CCI carried at the end of the year (August 31) was no more than 30,603 bales (valued at Rs 7.21 crore) against 6.95 lakh bales (valued at Rs 111.35 crore) a year earlier. In view of the lowest inventory, the liquidity position of the corporation at the end of the year was also a record. Total capital employed by the corporation for its record operations during the year was only Rs 34.79 crore, representing the bestever ratio of net sales to capital employed. Interest paid on bank loans (Rs 13.76 crore) as a percentage of net sales (Rs 365.61 crore) was also the smallest ever. The corporation earned a record operational profit (gross profit minus interest on bank loans) of Rs 17.45 crore against a loss of Rs 1.88 crore in 1985-86. This indeed is highly commendable performance.

The directors' report, the chairman-cummanaging director S K Agnihotri's speech at the annual general meeting and the press note released after the annual meeting on March 23 give only bare statistical information about the CCI's operations during 1986-87, scrupulously avoiding any mention about how the corporation which has had all along a dismal record of performance could achieve such impressive results during 1986-87. To say that the operational profit during 1986-87 is an all-time record is not to say much really since the previous best figure was no more than Rs 5.04 crore and that also way back in 1972-73. What makes the operational profit of Rs 17.45 crore really significant is that it exceeds the aggregate profit (Rs 17.10 crore) earned by the CCI since its inception.

It needs to be pointed out that the operational profit for 1986-87, reckoned at Rs 17.45 crore, has been arrived at after providing Rs 2.52 crore for doubtful debts and advances and Rs 1.55 crore for export claims which have absolutely nothing to do with the CCI's operations during 1986-87 or even in the preceding year. If one were to disallow these two figures which relate to operations of much earlier years, the operational profit would work out to Rs 21.52 crore.

The record operational profit earned by the corporation in 1986-87 could by no means be regarded as fortuitous, though the market had no doubt developed a distinctly firm tendency after about the middle of November 1986. Behind this impressive performance lay the bold initiative and sound market judgment which the CCI chief N Jayaraman brought to bear on the corporation's operations. He undertook the risk of large commercial purchases (3.66 lakh bales) when the CCI board was willing to take responsibility for only 20,000 bales as per the decision taken at the board meeting on October 20, 1986. The ratio of capital employed to sales as also of interest on bank loans to sales and record liquidity at the end of 1986-87-short-term deposits with scheduled banks amounted to Rs 24.48 crore-bear ample testimony to the high

quality of management under the stewardship of Jayaraman. During his nearly twoyear tenure (1985-86 and 1986-87) as chairman-cum-managing director, purchases effected by the corporation aggregated 23.97 lakh bales, representing 26.2 per cent of the total purchases during the preceding 15 years and these yielded an operational profit of Rs 15.75 crore (Rs 17.45 crore minus Rs 1.88 crore). It is indeed ironic that instead of appreciating the commendable job done by the CCI chief, New Delhi should have taken a hasty decision to dispense with his services and repatriate him to the Maharashtra IAS cadre following the CBI inquiry into the alleged loss in the much publicised cotton export deal by the corporation.

It is surprising that neither the directors' report nor chairman Agnihotri's speech should have made even a casual inention about the export deal of 90,000 bales which had figured prominently in parliament and had been given wide publicity in the press. That the issue is under investigation by the CBI cannot be treated as a good enough reason to completely gloss over the matter. Agnihotri could not possibly be unaware of the incontrovertible evidence with the corpotation that the export sale of 90,000 bales of new crop cotton effected on September 8 and 9, 1986, at the then prevailing international prices, in advance of the quota announcement, was a clear and conscious commercial decision of the CCI board and that these contracts were executed only after the same were thoroughly examined by the textile commissioner as well as ministry of textiles. And that the sales did not in any way contravene the policy guidelines and were properly recorded in the minutes of the export committe meetings.

It is common knowledge that the entire matter was raised in parliament on April 27, 1987 by way of a starred question and the deputy minister of textiles Krishna Kumar had clarified that "there was nothing wrong with the contracts and the government do not expect any mala fide in the transaction". He also stated that "once the export deals are negotiated the international prices can go up and at times go down also and such profit or loss is notional". That the government should have deemed it necessary to ask the CBI to conduct an inquiry into the export sale involving an alleged loss of Rs 4 crore nearly two-and-a-half months after the deputy textile minister's clarification in parliament is really intriguing. And thereby hangs a tale.

At the press conference held on March 23 after the annual general meeting, the CCl chief was asked to offer clarifications on the export deal of 90,000 bales involving an alleged loss of Rs 4 crore. Agnihotri stated that going by the cost price the actual loss in this deal comes to Rs 74.47 lakh and that in case the sale price is compared with the international prices of equivalent foreign varieties of cotton in the month of September when the contracting was done

there is really no loss. He went on to say that even if the comparison is to be made with the international prices prevailing in the middle of November the loss comes to around Rs 28.41 lakh.

The export sales of 1.25 lakh bales of new crop cotton, including the controversial 90,000 bales, effected by the CCI during 1986-87 is understood to have yielded a profit of about Rs 1.25 crore. It hardly need be emphasised that the performance of any corporate body ought to be judged not in terms of individual transactions but by the overall results. For there could be situations when it is more profitable to sell the commodity at lower prices than hold it for longer periods and incur carrying costs. It was indeed in the context of severe glut and steep fall in donicstic cotton prices that the textile ministry let it be known to the exporting agencies early in April 1986 that they eould export on the basis of international prices subject to their registration of contracts with the textile commissioner. It is indeed amazing that the government should have raised questions about the propriety of the export deal at a time when the corporation has acquitted itself so admirably, setting records in every area of its operations during 1986-87.

Cotton is an intricate commodity and because of the high degree of subjective element in assessing the quality of any variety of cotton it is easy enough to question the bona fides of sellers/buyers in any transaction. The kind of publicity that the export deal of 90,000 bales has been given is not calculated to improve the environment for efficient result-oriented management in public sector undertakings. The quality of management has assumed erucial signifieance in the context of CCI's precarious financial plight, replacement of its accumulated losses by government loans notwithstanding. The corporation's balancesheet for the year ended August 1987 shows a debit balance of Rs 119.05 crore, representing central government loan of Rs 92.53 crore and accumulated interest on this loan.

Apart from price support operations, if the CCI is to confine its operations to meeting the firm requirements of NTC, state textile corporations, KVIC, co-operatives, etc, it would be altogether wishful to think that the corporation would ever be able to earn sufficient profit to meet the liabilities arising out of government loan and interest thereon. Interest liability on government loan for the last three years-1984-85 to 1986-87-works out to Rs 44.84 crore. Unless the government is reconciled to the CCl being wound up, it will need to formulate an appropriate rehabilitation package involving partial conversion of its loan into equity capital and moratorium on interest payment. In its present position, the CCI is simply not capable of playing the enlarged role assigned to it under the new textile policy of June 1985.

### TWENTY YEARS AGO

EPW, March 30, 1968

Generation of jobs does not-and should not—depend exclusively upon the pace of investment; growth of output and matching of job requirements with vocational education and training are also important considerations. On all these counts the rate and pattern of progress have been disappointing... According to the latest figures, total employment in manufacturing and construction recorded a net decline between March 1965 and June 1967 while the number of jobseekers kept on increasing... What is the solution apart from, a fresh upsurge of investment and output? Of course, filling of vacancies in the armed forces and civil departments of government must be speeded up, procedures willing... On a longer term basis, engineering courses have to be diversified . . . there must be greater stress on electronics, automobiles, marine and chemical engineering and aeronauties.

\* \* \*

It is now clear that Israelis suffered a shock when they launched their massive attack on Jordan last week. The casualties in what they thought would be a simple police action far exceeded their expectations... What would be disastrous is if the Arabs concluded that, having inflicted some kind of a defeat on Israel... they can make preparations for further victories... The Soviet Union itself has repeatedly made clear its preference for a political settlement. This should serve as some kind of warning to the Arabs against any precipitate action... The main source of tension and anxiety in the region is the occupation of Arab areas by Israel, and the burden of persuading Israel to withdraw is for the west to carry.

Government policy on the management structure of Hindustan Steel has come back to square one. Soon after assuming office, Chenna Reddy had thought of setting up a separate company for each steel plant. Later, ... there was a proposal to set up a giant single corporation for all steel plants... In between, the proposal to have a sectoral corporation caused some excitement. Now evidently the status quo is to be maintained: a single company for the three steel plants in operation but the chairman would be assisted by several deputy chairmen, functional directors, ex-officio directors-and part time directors!

		-			Vari	ation (per	cent)		
Index Numbers of Wholesale Pri (1970-71 100)	ices Weight	1.atest Week (5-3-88)	Over Last Month	Over Last Year	Over March	In 86-87 * *	in 85-86 + +	1n 84-85	1n 83-84
All Commodities	1000	413.8	-0.3	9.7	9.4	9.4	5.8	7.1	9.5
Primary Articles	417	389.8	- 0.5	13.2	12.3	5.7	2.1	4.8	11.0
Food Articles	298	372.6	- 0.2	167	9.1	7.2	7.9	6.4	13.5
Non-food Articles	106	398.8 667.6	1.4	23.4	24.7	6.7	- 10.3	-2.3	15.1
uel, Power, Light and Lubricants lanufactured Products	85 499	667.6 300.0	0.4	6.6	6.6 7.0	6.7	11.9	2.6	.7.6
lanutactured Products	477	390 9	- 0.4	7.8	7.9 Vario	4.7	7.2	6.0	8.7
ost of Living Index		Later				ation (per	cent)		
OSE OF LAVING INGEX	D.354	d atest	Over	Over	Over	t.,	1	•	1
	Basc	Month	Last Month	Last Year	March 1987	In 86-87	In 85-86	in 84-85	in 83-84
		1							
or Industrial Workers	1960 = 100	7531	0.1	9 5	9.8	8.7	6.5	6.4	12.6
	1984-85 100			9.4	9.4	7.3	7.9	8.1	10.3
or Agricultural Labourers	July 60 to	654 <sup>12</sup>	-0.2	13.0	14.1	4.8	4.8	0.2	11.4
	June 61 = 100								
						(per cent i	in brackets)		
loney and Banking	* 1	1.atest	Over	Over	Over				
	Unii	Week	Last	Last	March	ln	in	in	in
	,	(26-2-1988)	Month	Year	27, 1987	86-87 * *	85-86 1 1	84-85	83-84
toney Supply (M <sub>3</sub> )	Rs crore	1.60.285	772	21,822	19,652	21,627	14,423	16,058	13,03
ing supply tings	240	1,00,202	(0.5)		(14.0)	(18.3)	(13.9)		(17.9
et Bank Credit to Government Sector	Rs crore	83,971	319	12,603	12,673	12,822	6,555	(18.7) 8,445	5,75
ank Credit to Commercial Sector	Rs crore		~ 396	9,765	8,156	10,576	10,963	10,809	3,73 8,83
let Foreign Exch Assets of Banking Sec		4,311	216	- 201	- 414	1,251	10,963	10,809	-104
Deposit of Scheduled Commercial Bank		1,20,430	3,374	16,036	17,686	1,251	13,160	11,519	8,550
reposit of benedica Commercial ac-	9 84 845.44	1,20,750	(2.9)		(17.2)	(19.6)			
oreign Exchange Assets**	Rs crore	6,051	· 360	(15.4) 952			(18.2)	(19.0)	(16.4)
Ofeign exchange Assets	KS Civic	0,05,	- 300	7.16	1,567	604 (8.6)	197 (0.8)	1,319 (24.0)	1,23
ndex Numbers of Industrial	Weights	1.atest	Averas	on at		(0.0)	(0.6)	(24.0)	(28.9
roduction	******	Month	Mont			Vari	ation (per c	(tnee	
(1970 - 100)		ITEM-100			In	in vari	In	in	<u>In</u>
,			1986	1985	1986 + +	1985 + *	In 1984	in 1983	In 1982
General Index	100,00	222.0 <sup>to</sup>							
seneral index Basic Industries	100.00 33.23	222.0 <sup>10</sup> 288.7 <sup>10</sup>	217.5 272.6	204.4 250.9	6.1	6.4 8.7	6.6	4.2	4.5
Sasic Industries Capital Goods Industries	33.23 14.98	288.710 235.110	272.6 231.0	250.9 224.1	7.7 <b>2.4</b>	8.7	10.8	5.5 5.3	8.0
apital Goods Industries nterinediate Goods Industries	14.98 21.33	235.116 187.116				3.1	6.6	5.3	-0.9
nterinediate Goods Industries Consumer Goods Industries			187.7	179.2	6.0	4.7	6.1	6.8	1.9
Durable Goods	30.46	174.4 <sup>10</sup> 303.1 <sup>10</sup>	173.1	161.9	5.3	6.9	2.6	0.6	5.8
Non-Durable Goods	·3.81 26.65	303.170 156.010	286.7 156.9	246.3	14.0	17.4	17.8	1.0	3.6
			156.9	150.1	3.4	4.5	0.2	0.5	6.5
Foreign Trade	Unit	Latest	Cumulati	ive for*					
		Month	1987-88	1986-87	1004 97	1005 86	TODA QE	Ap con:	1003 (
•	••	(Jan 88)			1986-87	1985-86	1984-85	1983-84	1982-8
Exports	Rs erore	1,368	12,603	10,109	12,550	11,012	11,855	9,872	8,90
linports	Rs croré	1 753	18,029	16,401	(14.0)	(- 7.1) 19.766	(20.0)	(10.8)	(14.
mports	NY CIOIC	1,133	10,047	10,401	20,063	19,766 (15.1)	17,173 (8.9)	15,763	14,3
Balance of Trade	Rs crore	385	- 5,426	- 6,292	(1.5) - 7,513	- 8,754	- 5,318 - 5,318	(9.8) - 5,891	(5.) - 5,4
Employment Exchange Statistics		Latest	Cumulati			-, -	- ,	*,	-,
autholinem rasemings commercial	Oiii	Month	Cumulan	IVE TO					
		(July 87)	1987	1986	1986	1985	1984	1983	1982
of my home of Amelia core one I ma Danistae	Thamand								
Number of Applicants on I we Registers	s Thousand	27,239	27,259	28,442	30,131	26,270	24,861	23,034	19,75
(as at end of period)  Number of Registrations	Thousand	225	3 001	3 170	(10.9) 5 /23	(6.0) 5 824	(7.9) 4 220	(16.6)	(10.
lumber of Kegistrations	Inousand	335	3,091	3,170	5.473	5,824	6,220	6,756	5,86
Number of Vacancies Notified	Thousand	- 66	272	254	(~ 6.0)	(~6.4)	(-8.0)	(15.3)	(-6.
sumper of vacancies isomica	Indusanu	56	373	354	616	683	707 (=15.5)	827	82
Number of Placements	Thousand	35	215	216	(-10.0)	(~3.4) 388	( – 15.5) 407	(0.9)	(-8.
tumper of Flacements	Поплани	دو	215	216	356 (-8.2)	(-4.7)	407 (-163)	486 (2.5)	47
Income	1 Init	1004 97++	-00E DE++	*****		(-4.7)	(-16.3)	(2.5)	(-6.
			1985-86**						1979-8
Case Danier Communication Providence Communications	D	2 60 584	2,33,305	1,90,888	1,72,704	1,45,961	1,30,770	1,22,226	95,35
Gross Domestic Product (current prices) Gross Domestic Product (1980-81 prices)			1,56,083	61,838	59,541	55,068		1,22,226	47,19

<sup>\*</sup> For current year upto latest month for which data are available and for corresponding period of last year,

\*\* Excluding gold and SDRs.

+ Upto latest month for which data are available.

+ Provisional data.

@ Relate to 1970-71 prices.

Notes:

(1) Superscript numeral denotes month to which figure relates, e.g., superscript indicates that the figure is for January and so on.

(2) Figures in brackets denote percentage variation over previous period.

# UNICHEM Indianising Upjohn

UNICHEM LABORATORIES HAS earned a lower profit of Rs 138 lakh in 1986-87 against Rs 149 lakh in the previous year despite increase in sales from Rs 32.33 crore to Rs 35.64 crore. The directors attribute the erosion of margins to increase in raw material costs, repairs and modernisation expenses, payroll expenses, power and fuel charges. Net profit is also lower at Rs 60 lakh (Rs 72 lakh) and the unchanged dividend of 20 per cent is covered 2.22 times by earnings as against 2.66 times previously. Production at Bombay, Ghaziabad and Roha units was satisfactory throughout the year. The new capsulation section at Bombay has started working satisfactorily. The company has transferred technology of pharmaceutical manufacturing to Kabul for some of its prestigious products and they have successfully started manufacturing. the products under the company's technical assistance. Export sales amounted to

Rs 196 lakh, an increase of Rs 87 lakh over the previous year. Export sales to Bangladesh have increased considerably during the current year. For the first time, formulations have been exported to UK.

The second phase (bio-degradation plant) of effluent treatment plant was successully started in December 1986. The company has installed water scrubbers type air pollution control equipments to control air pollution. Also, safety precautions in the units have been further augmented. The broadbasing of the activities, coupled with the growth has resulted in a change of name from Upjohn division of the company to Unisearch division, effective from October 1 last. Unisearch will market the selected specialities of Upjohn UCB and Unichem. The frist batch of veterinary products of Ag Vet division was released for marketing in July 1987. The products namely Anarobin, Polygestic and Livoferol have been received very well by the veterinarians and farmers. The patented bulk drug Buprenorphine is being registered in many countries. This

The Week's Companies

(Rs Lakh)

		Unic	hem	Calico	Mills	Burroughs	Wellcome
		Laiest Year 30-9-87	Last Year 30-9-86	Latest Year 30-6-87	Lasi Year 30-6-86	Laiest Year 31-8-87	1.ast Year 31-8-86
Paid-up Capital		135	135	1386	1386	300	300
Reserves		848	823	2060	2274	1176	1133
Borrowings		652	588	9723	7786	843	1008
of which Term Borro	wings	104	100	3467	2950	525	525
Gross fixed assets		1393	1337	6719	6512	1184	1079
Net fixed assets		976	966	4913	5049	937	893
Investments		127	12	46	68	2	61
Current liabilities		527	619	3202	2945	829	834
Current assets		1192	1195	7335	6965	2169	2260
Stocks		486	462	2045	1795	1133	1215
Book debis		423	374	3431	3143	677	670
Net sales		3564	3233	5354	5576	5004	4332
Other income		75	47	160	182	61	52
Raw material costs		1192	952	2246	2204	2976	2624
Wages		701	617	1364	1208	724	708
Interest		106	85	1399	798	199	147
Gross profit (+)/loss (	-1	138	149	1372	- 342	201	44
Depreciation provision	•	57	52	368	411	70	15
Tax Provision		21	25	_		13	-
Net profit (+)/loss(-)		60	72	1740	- 753	118	- 59
Investment allowance r		_	15				
Transfer 10 reserves Dividend		33	30	_		44	
Amount	P			_			-• ^
	E	27	27			45	_
Rate (per cent)	P						_
	E	20	20	_		15	-
Cover (times) Ratios (per cent)		2.22	2.66		_	2.62	_
Gross profit/sales		3.87	4.60			4.02	
Net profit/capital emp	loved	9.71	12.22		_	8.00	_
Inventories/sales	,	12.63	14.29	38.19	32.19	22.64	28.04
Wages/sales		19.67	19.08	25.48	27.61	14.46	16.34

research-based product has a considerable scope for growth in future years.

### CALICO MILLS

### Closure Averted

AHMEDABAD MANUFACTURING AND CALICO PRINTING COMPANY, popularly known as Calico Mills, has suffered a staggering fresh trading loss of Rs 13.72 crore during 1986-87 against Rs 3.42 crore in the previous year following a small decline in turnover from Rs 55.76 crore to Rs 53.54 crore. After depreciation, net loss came to Rs 17.40 crore (Rs 7.53 crore). With this, the accumulated deficit carried to the balance sheet mounted up to Rs 41.15 crore. Due to non-availability of funds, the company could not make payment of interest on bonds and debentures and also instalment repayments of bonds. In the absence of adequate working capital, the capacity both at the textile division and polyester fibre division could only be partly utilised culminating in lay-off of workers. Heavy debt service burden coupled with steep rise in prices of raw materials have been added factors for the loss and a stage was reached when the company was on the brink of closure. The consortium of banks has now agreed to make available to the company additional working capital funds of the order of Rs 1,354 lakh for holding on operations in association with all India financial institutions against guarantee of the government of Gujarat 10 be followed by a long-term rehabilitation programme which is being prepared.

Nominee directors of the institutions, banks and the government of Gujarat have replaced the erstwhile directors of the company. Gautam Sarabhai resigned as chairman and director effective June 30, 1987. Moosa Raza, IAS, was nominated on the board by the government of Gujarat with effect from July 3, 1987, and was appointed as chairman by the board. The government of Gujarat declared the company as a relief undertaking under the provisions of the Bombay Relief Undertaking (Special Provisions) Act, 1958, vide a notification dated December 9, 1987, for a period of 12 months.

### **BURROUGHS WEILCOME**

### New Drugs

BURROUGHS WELLCOME (INDIA) has closed down its consumer products division which showed disappointing performance for two consecutive years. This

new activity had acted as a drain on the company's resources and pre-empted development in other more promising areas related to the traditional pharmaceutical operations. The company offered a voluntary separation scheme to the division personnel which has been accepted by a large majority, barring a few who requested higher compensation on compassionate grounds. Meanwhile, the company has registered a turnaround in its fortunes during 1986-87 with a gross profit of Rs 201 lakh as against a trading loss of Rs 44 lakh in the previous year following increase in turnover from Rs 43.32 crore to Rs 50.04 crore. After necessary provisions, net profit eame to Rs 118 lakh against a net loss of Rs 59 lakh. Equity dividend, skipped last year. has been recommended at 15 per cent and is eovered 2.62 times by earnings.

Production of formulations as well as of bulk drugs and ehemicals increased by 9.74 per cent and 7.64 per cent respectively compared to the previous year. The company achieved its highest-ever export at over Rs 114 lakh as compared with only Rs 0.27 lakh in the previous year. Owing to sustained efforts of R and D department, success has been achieved in the substitution of a number of imported raw materials resulting in cost savings as well as oetter availability. The effects of the changes in price control under the revised DPCO are expected to be felt during the second half of the current year. The rationalisation and cost control measures initiated early in 1986-87, which mainly accounted for the improved performance of the company, will continue to be expanded and pursued. .

Two new drugs viz Zovirax for the treatment of herpes virus infections and Tracrium a surgical muscle relaxant, both landmark discoveries of the Wellcome group have been registered with the drugs controller, for marketing in India. Plans have been drawn up for the introduction of these two new drugs in the country as early as possible. A programme has also been initiated to identify and assess potential new drugs for future commercial exploitation.

# BANK OF BARODA Rise in Export Credit

BANK OF BARODA has made significant progress in deposit mobilisation in 1987. The Bank's global deposits rose to Rs 8,579.6 crore, registering a growth rate of 17 per cent. In keeping with the industry average Indian deposits increased by 16 per cent. The Bank added Rs 226 erore to non-resident deposits, which stood at Rs 954 crore. The number of deposit customers increased by 4.19 lakh

to 106 lakh. Global credit increased by Rs 647.7 crore to Rs 4,665.8 crore. The inland credit at the end of 1987 amounted to Rs 3,740 crore, registering a growth of 14.4 per cent.

At the end of December 1987, the total credit outstanding under various priority sector lending schemes amounted to Rs 1,560.2 crore as against 'Rs 1,347.2 crore at the end of the previous year. The share of priority sector credit to total eredit was 43.6 per eent against 42.3 per cent last year. Direct agricultural advances increased by Rs 75.90 crore to Rs 576.05 crore in 1987. The ratio of direct agricultural advances to total eredit in India worked out to 16.11 per cent, fulfilling the stipulated target of 16 per cent. Advances to small scale industries at the end of 1987 was of the order of Rs 566.09 crore. Outstanding credit to the weaker sections during the year increased by Rs 63.89 crore to Rs 392.50 erore. The share of advances to weaker sections was 11 per cent of the total credits as against the stipulated 10 per cent.

During the year, export eredit registered a substantial rise of about 40 per cent. The aggregate outstanding pre-shipment and post-shipment export credit stood at Rs 247 crore at the end of 1987. The bank's eurocurrency resources crossed the US \$ 1,000 million mark at the end of 1987

### TIDE WATER OIL COMPANY

### **New Grease**

TIDE WATER OIL COMPANY (INDIA), engaged in production of automotive and industrial mineral-based lubricating oils, greases and specialities, has entered into technical collaboration with Cofran of France for the manufacture and marketing of synthetic, semi-synthetic and speciality lubricants. Cofran group is a worldwide organisation having representations in more than 59 countries. Tide Water will be manufacturing TIDOL lubricants in India, which will be the first of its kind in the organised sector in the Indian scenario. Most of the requirements of synthetic lubricants are being met through imports under OGL. Synthetic lubricants are preferred over conventional mineral-based lubricants on account of superior thermal stability, long drain intervals, low volatility, excellent viseosity index and low temperature fluidity. According to the chairman, KS B Sanyal, the eompany expects to produce about 400 tonnes in the first year and gradually step up production to 3,000 tonnes in the fifth year. The new products would contribute significantly to the eompany's revenue and earnings.

### IN THE CAPITAL MARKET

### **Usha Beltron**

USHA BELTRON LIMITED, a company jointly promoted by Usha Martin Industries Ltd and Bihar State Electronics Development Corporation Ltd, is establishing a project at Tatisilwai in Bihar to manufacture 6,25 lakh CKM of jelly-filled cables. The company is entering the capital market on April 20 with an issue of 17.75 lakh equity shares of Rs 10 each to finance in part its Rs 20.41 crore project. According to Rana Pratap, managing director, the company has entered into a technical and financial collaboration of AEG-Kabel of West Germany, who will also participate in the equity capital of the company to the extent of 15 per cent (Rs 107.20 lakh). DEG, a West German Development Bank, will provide a term loan of DM 2.5 million repayable over a period of ten years. It will also take part in the equity capital to the extent of 10 per cent (Rs 71 lakh). The commercial production is expected to start by the end of May 1988. The company expects to achieve a turnover of Rs 16 crore for the year ending March 1989 earn a marginal net profit at 44 per cent capacity utilisation. For 1989-90 at about 90 per cent eapaeity utilisation the turnover will be Rs 32 crore and the net profit Rs 4.87 crore.

### **IPCL**

INDIAN PETROCHEMICALS COR-PORATION's 13 per cent bonds are being offered for sale by State Bank of India. The application list opens on March 24 and will close on March 31. These bonds are the second of a series of issues aimed at generating finance for IPCI's capital expenditure programme. The first Rs 40 crore issue had been subscribed to the extent of Rs 96.03 crore. These bonds (1987-88 series) offer 13 per eent interest under two schemescumulative and non-cumulative. They carry a host of tax benefits for all bondholders together with special benefits for trusts. Tax benefits for charitable and religious trusts include: Total exemption of interest income from income-tax under Section II and exemption of the investment from total income of the trust under Section 11(2) (b) and Section 11 (5) (vii) of the Income-tax Act, 1961. As the bonds have been declared public securities in Maharashtra, charitable trusts in Maharashtra can invest in these bonds without the prior approval of the charity eommissioner.

The company has also made an application to the government of Gujarat for having these bonds declared as public securities under the relevant Trusts Act of Gujarat.

### Jayalalitha's Plaint

A G Noorani

How far will the Congress(I) not go in its misuse of the official machinery in its bid to stage a come-back in Tamil Nadu after 21 years once the election campaign gets under way?

IT would be a grave mistake to ignore the significance of the grievance voiced by the officiating general secretary of the AIADMK, Jayalalitha, MP, at her press conference in Madras on March 21. The election campaign in Tamil Nadu has yet to begin in earnest. The first signs of official partisanship must evoke protests strong enough to deter repetition.

Apparently Jayalalitha was to address a public meeting on March 23 at Tiruchi. Her party had made reservations as early as in February. On March 10 came an order by the government banning the use of the municipal grounds for party meetings. Two days later, the TNCC(1) chief G K Mooppanar, was allowed to hold a meeting on those very grounds. Since the municipal corporation had cited the government order forbidding the use of the grounds for party meetings in the one case, how did it flout the order in another case only two days later?

"Why was the Congress allowed the use of the grounds on March 12 if the ban order was issued on March 10? This is a biased decision", Jayalalitha declared (*Indian Express*, March 22, 1988). Her complaint is perfectly justified.

Only two days earlier on March 19 Sivaji Ganesan, the founder-leader of Tamizhar Munnetra Munnani, had criticised Doordarshan's partisan coverage of a public meeting in which Mooppanar had spoken. Similar coverage is denied to the state's political leaders in the opposition, he rightly pointed out. And this is only the beginning. How far will the Congress(I) not go in its misuse of the official machinery in its bid to stage a come-back in Tamil Nadu after 21 years once the election campaign gets under way?

It would be foolish to trust either the governor, P C Alexander, or the chief election commissioner, Peri Shastri, to hold the scales even and be impartial. There are now only two real checks against abuse—the judiciary and public opinion. Civil liberties bodies must not be caught napping as they were in the elections to the Jammu and Kashmir assembly last year. They must invite reports and prepare to send observers to the state.

The fundamental right to assemble

peaceably and without arms embodied in Article 19(1) (b) brooks no trifling with. in 1981 the Antulay government had refused permission to an organisation to hold a public meeting on May 3 at the Chowpatty in Bombay. The organisers of the meeting had applied for permission on April 21. In the next few days officials made them run from pillar to post; from one faceless official to another. On May 2, 1981 the organisers moved the Bombay High Court. Justice M L Pendse issued a mandatory injunction to the state government to grant the permission. The state appealed. At the fag end of the hearing it was withdrawn. The meeting was

It is not open to the government or to any municipal body to invoke its ownership or possession of public places to prohibit public meetings on them arbitrarily. The law was laid down over a decade ago by the Supreme Court in the case of Himmatlal vs Commissioner of Police, Ahmedabad. The Supreme Court negated a claim to arbitrary power.

The law was dicussed lucidly in Justice Mathew's concurring judgment. He said:

Public meeting in open spaces and public streets forms part of the tradition of our national life. In the pre-independence days such meetings have been held on open spaces and public streets and the people have come to regard it as a part of their privileges and immunities.

The state and the local authority have a virtual monopoly of every open space at which an outdoor mee ing can be held. If, therefore, the state or municipality can constitutionally close both its streets and its parks entirely to public meetings the practical result would be that it would be impossible to hold any open-air meetings in any large city... The conferment of a fundamental right of public assembly would have been an exercise in futility, if the government and the local authorities could legally close all the normal places where alone the vast majority of the people could exercise the right.

The state possesses the power of 'reasonable regulation' but not of 'arbitary exclusion'. The power to decide whether a meeting should be permitted or not cannot be conferred on a state official without laying down precisely the criteria he should observe. The Supreme Court approvingly recalled in this context the dicta of the US Supreme Court that the conferment of "such broad discretion in a public official allows him to determine which expressions of view will be permitted and which will not. This thus sanctions a device for the suppression of the communication of ideas and permits the official to act as a censor".

The first signs of such censorship are very evident in Tamil Nadu. They deserve to be condemned. If official machinery is allowed to be abused in Tamil Nadu, can you hope for a fair poll when general elections to the Lok Sabha are held?

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### Calcutta Diary

AM

Why flinch from the truth, the nation has not matured, it has not gone forward, it has receded through time. The nation, which once took the author of Letters from a Father to Hi. Daughter for granted as its prime minister, now, accepts as a fact of life the existence of a prime minister who is volubly boastful of his rusticity.

THE current proceedings, true, are an embarrassment, but we assume no responsibility, have not we consistently belonged to the opposing camp: there will be plenty of such garden variety of pleacopping. What is however the point of deceiving oneselves? We are a part of the totality. We can disown neither the heritage of the stock nor the attributes of the surrent flow.

For the first seventeen years following independence, we had a prime minister who had his other failings and shortcomings. But, apart from writing a poetry-filled autobiography, he was also the author of Glimpses of World History and Letters from a Father to His Daughter. Within twenty years of the gentleman's death, we acquired a prime minister who is afflicted by intimations of near-illiteracy. He has of late come to hear of that asinine joke about Karl and. Groucho Marx, which used to make the rounds of school dormitories some forty years ago. Innocence has its own charm; in the manner of a baby who has been handed a new toy, the prime minister of this great land trots out this shop-worn specimen as his idea of humour. It is of course not proper to dwell on personalities. But we remain an important country, and the intellectual equipment of its prime minister has implications not just for those who carry on research in comparative cultural anthropology in American universities,

It may be that each country gets the prime minister it deserves. Is cynicism however going to be our only defence? That the author of Glimpses of World History was the grandfather of the present prime minister is a fact. It is not a fact, but an assumption, that man's endowment is enriched over time. And that is a generalised statement, which does not necessarily apply in the case of family trees. Great families are known to have receded into obscurity because they comprehensively deserved this fate. The progeny were natural victims of changing class relations; at the same time, many of them were not simply up to it. This, after all, is historicism. In the ordinary course, we will have no occasion to waste our time

over the happenstance of the grandson of a great grandfather being intellectually altogether vacant, so much so that he does not even have the equipment to realise this. The extraordinariness of the specific case however detains us. In normal circumstances, an empty-headed grandson of a great grandfather will disappear in Friday, afternoon's crowd. Given his commouplaceness, the faceless crowd will claim him. This has not occurred with the grandson of the prime minister who wrote Glimpses of World History. The grandson too, defying Darwin, has become prime minister

Our hypothesis-building receives a jolt. A nation, which could claim the author of Glimpses of World History as its prime minister as early as forty years ago, should have moved up to a higher plateau of sophistication; it would then have been an impossibility for it to find itself, now, with a prime minister who, in the manner of an underdeveloped schoolboy, flaunts his joke about Groucho Marx. Has something gone wrong with our premise, or do we throw up our hands and heap the blame on the wayward-turning fate? Or do we say that the man who wrote Letters from a Father to His Daughter was ahead of his times, we deserve to come a cropper if we project the future from the high point he reached?

Grandmasters are of course an aberration, they come and go, nations survive both their greatness and their flamboyance, and accept their legacy. Earlier in this century itself, a Winston Churchill was supplanted by an unobtrusive Clement Attlee, Franklin Delano Roosevelt passed from the scene, but Harry Truman. the former haberdasher, stepped into the gap and managed to transform the incongruity into part of the normal process. Josef Stalin has been dead for thirty-five years now, the successive general secretaries in the Soviet Union have had their individual style or not much of it, but till today they are still grappling with his inheritance. The grandmasters of history can be categorised as good or evil, but they leave their mark, people either try to be inspired by their example, or react, violently or otherwise, against what the grandmasters sought to preach. Perhaps, once a nation approaches the phase of what is conventionally known as maturity, which is another way of saying that it arrives at the state where no great issues rent it apart, about everyone in society has a reasonable livelihood, literacy is universal, and high technology has been assimilated in the manner of a well-worn pair of shoes, grandmasters lose their profession, runof-the-mill specimens take over the management of the affairs of the state and the nation fares none the worse on account of that. There is no scholar-prime minister or poet-president, it is the likes of Harold Wilsons and Helmut Schmidts who take charge, but their average performance, measured in terms of acumen to keep things going very much how they had been going, attains a satisfactory level, and steadies there. There are no more any great moments, but the risks of faux pas diminish, and the nation is spared the inanity of Groucho Marx jokes.

The trouble over here is that ordinariness has laid its claim before the nation could even gather itself together, and maturity is a long way off. The dimunitive person who immediately succeeded the author of Glimpses of World History as prime minister was full of limitations, but he was also fully aware of his limitations. He did not ever venture beyond his territory. He had no sophistication, but plenty of humility. None felt outraged therefore by his ordinariness. In contrast, we have at the moment a braggart in braggart's apparel. One can strain to be charitable, and suggest that the unbecoming aggressiveness perhaps cloaks an innate feeling of inferiority. The explanation may or may not be genuine; it still does not save us from the embarrassment of the worsethan-schoolboyish jokes.

No, by no stretch can this be regarded as the tragedy of a particular household, with which the nation's fate has got embroiled. A prime minister of a supposedly democratic system, even if he becomes prime minister as a result of an accident. cannot be held responsible for being where he is. Offered the position, few, very few, will have the strength of mind to decline to be prime minister of the country. It is equally jejune to hold the person who was president of the republic at the time responsible for the misfortune. For that gentleman, with his firm notions about undying loyalty to a dynasty and coparcenary relationship between votes and notes, was not for a moment out of alignment with the ethos of the nation.

Why flinch from the truth, the nation has not matured, it has not gone forward, it has receded through time. The nation, which once took the author of Letters from a Father to His Daughter for granted

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as its prime minister, now accepts as a fact of life the existence of a prime minister who is volubly boastful of his rusticity. On the surface, the national rate of literacy has inched up, from around 25 per cent to close to forty. On the surface, we have a deep and wide industrial base, both ground to air and ground to ground missiles, microwave links between the different parts of the country, colour television, a saturation of one-day crieket matches, more and more danseuses who can transport us to the ethereal joy of Odissi and Kuchipudi recitals, heaps of new journals and magazines which have taken to the American lingo with an assured elegance, painters and artists, dozens and dozens of them, who consider post-expressionism as passe, scores of film critics who discover layers and layers of meaning in Abuladze's Pokayanie. None of these touches the essential core. In a nation of near eight hundred million, there are bound to be some stirrings on the periphery which will sound or look or smell or taste to be exciting or out of the ordinary. But these are not relevant. These remain on the fringe, in a kind of outlandish existential survival, defying the substance of society. Or perhaps there is no active defiance, these exist away from the social process, a part of the whole, nonetheless leaving no impression on the whole. Some might even add that it is in fact a variant of a tactical arrangement: you are allowed to draw your sustenance from the whole on the assumption that you will not have the inclination to bother over what is happening to the whole.

The whole has not matured, it has immatured in its own manner. Adult suffrage and periodic elections have worked through their own logic; rising public expenditure, with the unending scope it has opened up for graft, has east its spell too. The masses are supreme, chanted Lenin, therefore the dictatorship of the proletariat, and be merciless with your class adversaries. The masses are supreme, said Mohandas Karamchand Gandhi, and sooner or later they will have their Ram Raiva, with all its religious ascriptions and with all class distinctions obliterated for ever. The masses are supreme, echoed the nation's first prime minister, the author of Glimpses of World History. He loved the adulation of the masses, but there was an ambiguity in what he promised them, perhaps because there was an ambiguity in his own manner of living. He was both an oligarch and an admirer of the egalitarian ideology. He therefore spoke in the language of personalised dialectics; he, the ruder neighbours said, was simply confused. The masses swooned at the dreamful words he spoke, just as they swooned at being wounded by the flowers which he pelted indiscriminately at them, the same flowers which they in the first place had offered him. They could not quite decode what he exactly meant; the words spelled socialism, the haughty spraying of flowers was reminiscent of the goings-about of a feudal overlord. In a period of confusion, it is the commission agents who take over The nation's first prime minister, who wrote beautiful prose and spoke beautiful words, could not concern himself with mundane details; maybe he himself did not know precisely what he wanted, or, if he knew, did not consider it prudent to confide his knowledge even to himself. He signalled to the commission merchants to take over. They did. The grandmaster withdrew, along with his dreams and designs, and the mercenaries were trusted with the assignment to build a socialist millennium. The upshot, we discover at the end of four decades, is no proletarianisation of the masses. It is plebianisation, and of an extremely gross variety. The quest for social consciousness has been reduced to a search for the lowest common denominator. Magnificent strides have been made towards blanketing the nation with superstition. Crudity and obscurantism ride high; the circumference of intellectual enquiry is delimited by the Bombay film idiocies and their betel chewing fans in the lanes and by-lanes of dusty northern towns. From betel-chewing to smack is then only a short hop. There is no mistaking the smugness which is the derivative of pervasive illiteracy: supersonic planes or inter-continental ballistic missiles, it was all there in the *Ramayana*. So much so that a secular republic, without batting an eyelid, keeps setting up denominational institutions, the more the merrier, and godmen double up as economic advisers.

The pretence of superiority of the fringe crowd is contemptible. They do not represent the nation, the prime minister does, his stupid joke, rest assured, will go down well with the masses. The nation has been marching steadfastly backwards into the dark and darker recesses of time. Whether the author of Glimpses of World History planned it this way, either absentmindedly or because he had feudal designs, cannot be answered at this distance of time. One will be inclined to grant him the benefit of doubt; he was an oligarch who was not given to looking into details, particularly details over the longer run. In any case, why blame him, each nation gets the grandmasters it deserves. It also gets the progeny it deserves. The fringe crowd merely looks on, and debates whether the repentance in Pokayanie is assertive enough.

### **Centre-State Budgetary Transfers**

Edited by I S Gulati

First of a proposed series of volumes of articles on specific themes from **Economic and Political Weekly** 

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### Agitation by Advocates Meaning and Purpose

Anil Nauriya

A profession which even the national movement could not completely engulf decided at the end of February to go on an indefinite strike throughout the country. Never mind the issue; the mere fact of the indefinite strike is one which must have the most far-reaching and only partially forseeable consequences. This must inevitably affect the self-image and structure of the bar.

ADVOCATES in India like to recall the association of their profession with the struggle for freedom. Their memories are selective, as is indeed their professional role. It is true that a conspicuous number among the higher rungs of the national m, vement were from the legal fraternity. But it is not often recalled that lawyers continued to attend court during the various campaigns launched against the imperial regime. Though courts were included in the boycott during the nonco-operation movement of 1921, no one deigned to tell lawyers in those days that they ought to go on strike, and that too in 'finitely. The boycott was sought to be achieved instead in two ways. First, by the effort of the people themselves who were called upon to try to resolve their disputes through the mediation of third parties and informal village panchayats. And second, it was suggested to lawyers that they give up practice. Those who did so were welcomed into the ranks of the movement and usuaily given places of leadership. To give up practice was treated as a major sacrifice; even today biographical remarks about many national leaders in school and other text books include the fact of their having given up what is inevitably described as having been a 'lucrative' practice. Equally pertinent, however, is the fact that a large proportion, perhaps the larger proportion, of lawyers did not give up practice. They may have helped the movement in other ways from time to time, but they remained in their kachehries. Whatever their motives, which were not necessarily base, the members of this precedent-conscious profession basked in the outward liberalism of the Anglo-Saxon system, and respected its formal judicial structure. One can still occasionally hear district lawyers of pre-1947 vintage in the so-called mofussil quote Wordsworth and all the rest to make a point in mundane property cases. While Wordsworth found it heavenly to be young and alive in revolutionary times, the Anglo-Saxon intellectual package in India provided sustenance to those who would keep things as they are.

In more recent times, with the rise of forces of a fascistic nature, even the

Anglo-Saxon heritage acquires a positive aspect. There lies the dilemma. When things are stirred up it is not always clear which way the wind will blow, and where the dust will settle. This is so especially when a movement, comprising disparate forces, acquires a dynamics of its own. And things have got stirred up: A profession which even the national movement could not completely engulf decided at the end of February to go on an indefinite strike throughout the country. For a moment, never mind the issue. The mere fact of the indefinite strike is one which must have the most far-reaching and only partially foreseeable consequences. This must inevitably altect the self-image and structure of the bar. It must equally affect the furthest kachehri and, therefore, the remotest village chaupal.

This is a litigative nation. Even a political figure like Bal Gangadhar Tilak travelled all the way to England to file a case against a British journalist whom, with the benefit of hindsight we are in a position to say, the Lokmanya may well have ignored. Reading judgments of the Privy Council rendered in days when courts still took a lively interest in the subtle distinctions of civil procedure, one cannot help being impressed by the ingenuity of the Indian litigant. How will the strike affect the way the present legal order is viewed?

It is because of its many complexities and ramifications that the agitation by advocates cannot be discussed in terms of 'failure' and 'success'. The agitation released and became subject to a multiple set of dynamics. As latent contradictions of the legal system came to the fore, many illusions about the nature and the structure of the profession nourished for decades in the minds of the Indian advocate were assailed by serious doubt. Superficially, the strike leaders raised narrow issues such as the suspension of a certain police officer and the shifting of a particular police establishment from the Delhi District Court premises. But the internal convulsions of the bar provided much more meaning to the agitation than its stated objectives. These convulsions became critical at the national level not in relation to the handcuffing of an advocate or even the subsequent lathi-charge in the district courts; they became critical in the face of an organised and provocative attack by a section of the ruling party with the help of the police and the official machinery at the district courts in Delhi on February 17. The events of February 17 were a case of res ipsa loquitur- the thing speaks for itself. Though this was the turning point and the basis of unity at the bar, this issue was not adequately projected for two reasons. First, in the public mind, the question continued to be posed in terms of the issues prior to February 17. Second, the district court lawyers themselves, who had effectively taken over the agitation, continued to present the issues in terms of the carlier events even after February 17.

Earlier, the strike had begun in the district courts at Tees Hazari, Delhi, on what has continued to be seen as a relatively weak foundation. It must be admitted that the members of the district bar have been severely shaken by the earlier events. In order to appreciate the causes of their discontent it is necessary first to set out certain facts which have not received adequate publicity. On January 16, as has been reported, a lawyer was handcuffed, contrary to a rule laid down by the Supreme Court, and produced before the metropolitan magistrate on a charge of theft. The purse from which the theft was supposed to have been committed belonged to a college girl. For good and obvious reasons, the press has protected the privacy of this lady. This is as it should be. The identity of the lady has little to do, so far as the community is concerned, with the question whether a theft was or was not committed. Her identity may, however, have some relevance to the degree of force utilised and the methods adopted by the police. It is to be hoped that the commission charged with enquiring into these events will consider the question whether the police was over-zealous on account of any political connections of the lady concerned.

Though there are several versions of the circumstances leading to the arrest, it is true that the magistrate discharged the advocate on, inter alia, the ground of lack of evidence. The police officials who did not accept this linding would ordinarily have limited themselves to approaching the next court of appeal or revision. But the police went to the press with an enthusiasm that it has not been known to show in cases of rape or even dowry deaths. The discharged accused was described by it as a 'lawyer-thief', which could only have served to augment the tury of an already excited local bar. A couple of days later the lawyers at Tees Hazari learnt that the police, having failed before the menopolitan inagistrates, was

now toying with the idea of externing the discharged lawyer from Delhi. The Commissioner of Police himself can exercise this power unde the Delhi Police Act. Whence, on January 21 more than 40 lawyers converged on the office of the deputy commissioner of police, which happens to be situated in the same building that houses the courts at Tees Hazari. While they were there, an armed force, varyingly estimated, arrived from outside the premises and, coming from behind the lawyers, started a lathi-charge upon them. This force was supplemented by policemen in front of the lawyers. The latter posse emerged from the area occupied by the police within the building. The lawyers were thus caught in a 'nutcracker' operation, from which there was virtually no escape. A few lawyers who entered the adjoining chambers of certain judicial officers were pulled back by the police. The important point here is that the Criminal Procedure Code allows, on proper authorisation (which too was apparently lacking in this case), the employment of force to disperse a crowd, not to encircle a crowd and beat it up in such a way that it cannot melt away.

Even at this stage, when the temper had risen high at the district courts, lawyers in the Supreme Court and, to a lesser extent at the high court, were divided even on the merits of an agitation, let alone the question of going on strike.

Significantly, the opposition to the strike was generally not founded on the notion that the bar was a profession apart, a 'noble calling' which could not resort to a strike as a legitimate weapon at all. It speaks much for the change in attitudes within the bar over the last few decades that the acceptability of the strike as a weapon was generally not denied except among the ranks of advocates who have been designated as 'senior advocates' by the court. This section, which forms an elite within the larger but also elitist Supreme Court Bar, in particular found its identity and world-view put to great strain in the crisis that was to follow.

It was patent that the flare-up in the Delhi district courts in January did not arise primarily out of the lawyers' concern for Rule of Law. Nor was it a protest against the handcuffing of an under-trial as such. The protest was against the fact that an advocate had been handcuffed. It was not against the lathi-charging of unarmed persons as such. It was rather against the lathi-charging of advocates.

To point out that what was being voiced was a sectarian demand of lawyers rather than a general protest against violation of Rule of Law is not to condemn the agitation of the Delhi District Court lawyers but only to place it in its proper perspective.

A simple test of the lawyers' concern for the rule of law would be to ask whether a similar flare-up could have occurred in protest against, say, the killings in Meerut in May 1987. Is it that the bar, for all its mandatory nobility, does not associate itself with wider concerns?

Rule of Law was emphasised as an issue in the agitation even prior to February 17, but not very convincingly. A section of the bar did, however, begin to realise the consequences of isolating the profession from society. Stand apart from society, consider yourself a class apart, watch siiently and even clap while other people get beaten up and bumped off, then it becomes difficult to raise your own voice high enough when you get a few stitches on your own head.

From the narrower point of view of the bar itself, the controversy centred on the response of other lawyers outside the Delhi district courts to the atrike. How should the Supreme Court Bar, for instance, react to what had happened? And must it react in the same manner to similar or comparable incidents that might occur in other district courts in various other parts of the country?

The reservations about extension of the agitation and the strike beyond the district courts, which at this stage were shared more generally, though without unanimity, within the Supreme Court Bar, were rooted in practical and common sense considerations. Many accepted that there would be instances when it may be not only the right but also the duty of the bar to record its protest by going on strike. June 1975 may have been one occasion on which a strike would appropriately have emphasised Rule of Law. Recent massacres of minorities might have provided another issue on which a strike may have been an apt protest. But the present case did not at that stage appear to come within the category of issues on which such a strike could be considered justifiable. First, it was felt that the facts surrounding the handcuffing and the subsequent lathi-charge still required to be investigated. Secondly, it was obvious that the considerations that may impel the bar at the Supreme Court to go on strike must necessarily be wider than those that might make such a course acceptable in a particular subordinate court. Hundreds of litigants, many of them of relatively small means, come to the Supreme Court from various parts of the country. It is not easy to obtain a definite date for a case. The journey is made only after the advocate informs his client of a definite day or week when the case is expected to be called. Such a bar may join in a protest in relation to an event elsewhere; but it cannot be expected to resort to the strike weapon lightly. If it does so, the strike could become counter-productive and also be harmful in its long-term effects by reducing the effectiveness of the weapon itself. Finally, even where there is the gravest provocation and it becomes necessary to go on strike, a clear exception has to be made for urgent matters like habeas corpus petitions. To make such an exception would provide reassurance to the community on the sincerity of the profession in its concern for Rule of Law.

Nevertheless, the Supreme Court Bar Association did decide to join an all-India strike by the bar on February 8. Although it was a decision over which many, including the office-bearers of the association, had reservations the reasons for it could readily be understood. These and other office-bearers in the recent past, specifically those associated with the Congress(I), had themselves been instrumental in changing the character of the membership of the Supreme Court Bar Association. In order to win elective positions within professional bodies, and also to improve their standing within the ruling party, these office-bearers had over the years inducted into the Supreme Court Bar Association hundreds of lawyers who practice in fact at the district courts: The association had thus come to consist of not only the Supreme Court Bar proper but also a large number of advocates from the district courts. Inevitably, therefore, the office-bearers of the association had, on the one hand, to maintain their district court constituency and, on the other, to keep their party bosses within the Congress(I) satisfied. The Congress(I)-leaning leadership of the Supreme Court Bar Association was destroyed on the horns of this self-created dilemma. Although the all-India strike had been scheduled for February 8, the Supreme Court Bar Association office-bearers called it off at the last moment after parleys with some union ministers which had yielded only a couple of vague promises.

This unilateral step naturally infuriated the district bar, and even a section of the Supreme Court Bar, still further. Control over the agitation conducted by the district bar now passed to lawyers generally considered close to the Bharatiya Janata Party and the former Jana Sangh.

It is possible that in splte of the shock over the deal struck between the union government and the erstwhile Congress(I) leadership of the bar, matters would not have come to a head at the national level. But the events of February 17 changed everything. More than a thousand persons organised by a ruling party municipal councillor arrived at the district courts at Tees Hazarl in more than 40 tempos and lorries, waving Congress(I) flags and shouting slogans in support of the prime minister and the particular deputy commissioner of police stationed at Tees Hazari. In some ways the episode was an instructive study in the modus operandi of gathering mobs at short notice and provided some insights on what may have happened in the anti-sikh riots of November 1984. These hoodlums, who attacked lawyers, their chambers and their vehicles, were allowed in although the entry of heavy vehicles is supposed to be banned in the area during the morning

hours. The *Indian Express* has documented individual cases of members of the mob having been procured from particular outlying areas of Delhi and of their having been recompensed monetarily through police cadres.

Lawyers throughout India now united in a shared sense of indignation. Whatever lawyers outside Tees Hazari may have thought of the two earlier incidents at the Delhi district courts in January (the handcuffing and the lathi-charge), the happenings of February 17 served to clear doubts. It was obvious that major issues concerning the Rule of Law had now arisen, regardless of what one might think of the origin of the agitation. There was also unanimity among lawyers on the need for a protest and on making it an effective protest.

The Delhi district courts bar now sensed its power and its advantage. On the next day a meeting of the bar at the Supreme Court, which meeting was of course dominated by the Delhi district courts bar, decided on an indefinite strike. After the February 17 incidents and, given the high profile of members of the district courts in the Supreme Court Bar Association, a strong and angry reaction was inevitable. But were lawyers over-reacting? Looked at in principle, the reaction was fully justifiable. If hired goons attacked the district courts today, they would attack the Supreme Court tomorrow and perhaps shut down the houses of parliament on the day after. If we were to be ruled by Mussolini, did it really matter whether courts were open or closed?

Tactically, however, it was a false step. A decision to go on an indefinite strike is usually the last card. What then is left to be played if soon thereafter the union home minister defiantly rejects all your demands on the floor of the house?

The very influence of the district courts bar upon the Supreme Court and the all-India Bar baffled any possible corrective to the manner in which the agitation was being presented. Not only the fact and the mode of protest but also the manner in which the issues were to be projected was determined by the Delhi district courts bar and was ultimately to undermine the agitation itself.

Those who are close to an incident are often entrapped by their immediate and usually narrower prespective. Just as, say, factory workers might get taken up with the demand for removal of a particular personnel manager, not knowing that the manager was simply carrying out his instructions and would, if at all, simply be replaced by another one who would act the same way, the Delhi District Courts Bar developed an unfortunate fixation with the suspension of a particular police officer. They failed to notice the pettiness of picking on a single civil servant particularly when the constitutional responsibility for the good administration of the union territory of Delhi rested elsewhere.

This constructive responsibility of the constitutional authorities became a direct responsibility after the events of February 17 which speak for themselves. It is difficult to say definitely whether the fact that the police functionary concerned was a woman had anything to do with the response of the Tees Hazari lawyers. This may have played some role in the degree of their agitation over the events prior to February 17. It may also be one factor that helps explain why even after February 17, when a larger issue had presented itself which directly implicated the Congress(1) political bosses of Delhi, the district court bar's projection of the issues did not change even slightly. Rather, this projection of issues was imposed on the agitation at the national level.

It did not occur to the district courts bar that it would have served its interests better by not using its undoubted numerical power and by permitting the Supreme Court Bar independently to feel sympathetic towards it. Also unfortunate was the entrenched tendency, especially among the senior advocates, within the Supreme Court Bar to remain aloof to the greatest possible extent. The meeting of the bar at the Supreme Court on February 18, which could have been used to alter the projection of the issues, particularly since the situation had objectively changed, was attended by only a handful of senior advocates. Many of the advocates-on-record also stayed away. These advocates became collectively active later once the indefinite strike had been announced and they themselves were directly affected. By that time events had gone beyond the control of even the few senior advocates who had understood and Identified with the grievance of the district bar from the very start.

These distortions and differences over the modality of the protest soon overshadowed the lasue itself. Events went out of the control of any single association or body of individuals. Those who opposed an indefinite strike at the Supreme Court. but had not tried to influence the meeting on February 18, now called for a secret ballot. In strikes that are likely to be prolonged, it is just as well to have a secret ballot. If people are without work for six months, they will at least have the knowledge that they had taken a part in the decision to call the strike. But the demand for a secret ballot, when made, was a reaction. It was an expression of the feeling of superiority in the Supreme Court Bar over the 'rabble' from Tees Hazari. On the surface, it was a democratic demand. But the Supreme Court Bar Association, the Advocates-on-Record Association and the ad hoc Conference of Senior Advocates are, as such, not representative organisations or groups. These are oligopolistic groups which take no account of the fact that any advocate in India may appear in the

Supreme Court. Besides, the timing the 'secret ballot' was most unimaginative. It was slated to be held on February 26, that is, the last day on which the court would sit before the Holi vacation and prior to the day of re-opening on March 7. To force the secret ballot demand on that day was to deprive the district courts bar even of the illusion during the vacation that the Supreme Court Bar had joined it in a strike. A last-minute decision was taken by the Supreme Court Bar Association to ' postpone the secret ballot to March 7. But by then those who were decided on a secrect ballot on February 26, particularly the Advocates-on-Record Association, were determined to have their way, even if without the formal authority of the Supreme Court Bar Association.

Snobbery is difficult to disguise. An unguarded remark, the merest hint of a gesture or an act can give it away. And the clearest give away is when the action is pointless. Seen from the point of view of Tees Hazari lawyers, to be beaten up by the police and by goons organised by local Congress(1) bosses was itself an eye-opener. But to be snubbed and snobbed over by their compatriots in the Supreme Court brought out the worst in and the worst among the district courts bar.

In a show of lawlessness which could not have been better designed to forfeit any public sympathy the agitation may have had, and also, in the public mind to appear to vindicate the actions of the police, the ballot boxes were snatched away and the ballot duly circumvented. It is true that the identity of those who took away the boxes has not been definitely determined. It is also true that the boxes that were snatched away related to a poll that had already been postponed. These fine distinctions, however, made no impression whatsoever upon the public mind which drew its own inferences. The 'dacoity' was the reductio ad absurdum of the entire agitation. No one looked more relieved at the incident than some of the organisers of the 'secret ballot'. They knew now that the strike was done for.

Subsequent events both in the Supreme Court and the Delhi High Court only placed the seal of repetition on this course of incidents. The rump of the Supreme Court Bar Association, its senior officebearers having been rightly suspended earlier, called now for a secret ballot on March 7, the day the Supreme Court was to re-open. Had this been held and a decision arrived at, it could have helped retrieve some of the ground that had already been lost. But the divisions within the bar were now too sharp and the gap between positions apparently too wide. It was the senior advocates and the Advocates-on-Record who now declared that they would resume work on March 7 regardless of any ballot. This impatience and tactlessness was matched by the deter-

mination of the district bar to prevent the ballot again. On the evening of March 6, the district bar managed to persuade a vacillating section of the rump Supreme Court Bar Association unilaterally to call off the secret ballot. All hope of persuading the senior advocates and the Advocates-on-Record not to press their point for one day so that a secret ballot could be held was thus lost, and the pitch queered for what must be, with one exception of ten years ago, the ugliest and nastiest incident in the precincts of the Supreme Court. Advocates were physically prevented from entering various court rooms. Some were physically beaten up.

A sense of helplessness remained, but only briefly. It was not difficult to see that fascism, like other maladies, has no fluids of us own. In its inexorable logic, it uses us against us, turning nature upon itself.

The facts relied upon above are based on personal knowledge so far as they relate to events within the Supreme Court Bar. In regard to the events at the Tees Hazari Courts at Delhi, reliance has been placed on newspaper reports supplemented by my own inquiries and also a specific inquiry instituted by Danial Latifi, president of the All India Lawyers' Union and conducted by Santosh Kalra, advocate. I am grateful to them for having made these materials available to me. Wherever a choice was to be made between my own inquiries and the facts as set out in Santosh Kalra's report, I have chosen the more moderate of the versions available. It is necessary to mention that Latifi and Kalra are not to be charged with responsibility for the interpretation of these facts, which rests with me alone.]

# Agricultural Prices in Perspective

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The movement for higher agricultural prices needs to be combined with those against imperialist domination, landlordism and all other forms of feudal relations. It is also necessary to fashion a path of agrarian development different from the imperialist-sponsored Green Revolution; a path of agrarian development that relies on the peasantry, promotes technological self-reliance and is ecologically balanced.

IN the late 1860s there was a large-scale peasant uprising in the Khandesh region of Maharashtra, affecting other parts of the Deccan too. The American Civil War. by cutting off supplies from the slaveowning American south, had pushed up raw cotton prices. Subsequently the debtbonded, cotton-growing peasantry of the Deccan were ruined by the sudden drop in raw cotton prices that followed the end of that war. When the trader-moneylender sahukars moved to collect their outstanding debts from the peasants, they met with armed resistance. Many sahukars had their noses cut off. The peasants developed the anti-sahukar struggle into one also against the colonial administration and state. The uprising, dubbed by the colonial authorities as the 'Deccan Riots', was crushed with the usual brutality. Subsequently, the Raj, concerned about maintaining the stability of the peasant production that provided it with cheap agricultural raw materials, appointed a commission to inquire into the causes of peasant indebtedness.

The Deccan Riots is the premier instance of a peasant uprising which began on the question of prices paid for agricultural produce in the imperialist, world market. It was in order to cheapen the elements of capital, the British industrial capital initiated a partial transformation of Indian agriculture. A commercialisation of output markets followed. But this commercialisation did not necessarily need or lead to capitalist production of

agricultural raw materials. On the contrary, production by indebted peasants yielded the raw materials at lower prices, as, unlike in the case of capitalist production, the price did not have to cover the full cost of production, leave alone yield a normal profit. Agricultural commodities produced by indebted peasants could therefore be regularly acquired at prices below the value of the commodities concerned. At times this over-exploitation of the peasantry threatened the very stability of peasant production. At such times the colonial state intervened to maintain the conditions of peasant production, regulating to an extent the trader-moneylender exploitation of the peasants.

During the entire colonial period and beyond, the interaction between imperialism and agricultural production remained confined to the commercialisation of the product markets. At that time it was easy to see that the unity of all agricultural producers, whether middle peasants, rich peasants or otherwise, constituted a progressive, nationalist alliance against imperialism. Any rise in agricultural prices meant a lesser drain from the country, which while promoting agrarian accumulation, advanced the differentiation of the peasantry. The acute distress caused to the peasantry following the collapse of the indigo industry and by the Great Depression of the 1930s was not only a peasant but also a national issue.

In the post-colonial, semi-colonial period, right up to the mid-sixties, the

interaction of imperialism and peasant production remained confined, as before. to the commercialisation of output markets. The Green Revolution changed all that. Utilising the weapon of withholding PL-480 food at the time of the widespread famine in 1965-66. US imperialism was able to force the acceptance of the new agricultural policy, which stressed the use of modern, factory-made inputs manufactured by the TNCs. This marked a new stage in the imperialist penetration of agriculture, advancing from interaction in the process of circulation, when products become commodities, to interaction in the process of production itself. As a result of the Green Revolution policy the proportion of industrial inputs. viz, chemical fertilisers, pesticides and insecticides, and diesel oil, among total inputs increased from just 14.9 per cent in 1970-71 to 41.9 per cent in 1981-82 in current prices. This deeper penetration by imperialism in the process of agricultural production itself has brought new problems in its wake, and given a new edge to the old problem of agricultural prices.

With the Green Revolution there has been some capitalist transformation of agriculture, more from the top in the capitalist transformation of the landlord economy, and less from below in the rise of a class of rich peasants or kulaks. But agricultural commodities are still produced in a variety of ways that range from capitalist to feudal. Old-type landlords renting out land, market most of the cropshare they receive. New-type capitalist landlords produce with farm servants and wage labourers. Rich peasants both work on the land and employ wage-labour. Middle peasants, poor peasants, semiproletarians, even farm servants—all these classes produce and sell agricultural commodities: Further, all use modern inputs in not very dissimilar proportions.

A large portion of agricultural commodities is thus produced by the peasant family's labour, working with means of production they largely own, on land they possess, dominated proximately by the landlord-merchant-usurer combine. In brief, agricultural commodities are still produced in a semi-feudal mode of production. Industrial commodities, on the other hand, including the industrial inputs into agriculture, are almost entirely capitalistically produced, and that too by imperialist corporations, either in their own countries or in joint-enterprises (collaborations) in India. As a result, the exchange between agricultural and industrial commodities takes place between commodities produced in modes of production at different stages of historical evolution, between semi-feudal agriculture and monopoly capitalist (i e. imperialist) industry.

How does this affect relative prices? Industrial prices have to bear some relation to costs or production and average. profit, i e, to value. In the absence of at least an average profit no capitalist will indefinitely continue production of a commodity. Thus, costs of production and average profit set a lower limit to industrial prices.

But no such consideration exists for agricultural commodities produced in a semi-feudal mode of production. Marx pointed out, "for the peasant parcelholder to cultivate, or to buy land for cultivation, it is therefore not necessary, as under the normal capitalist mode of production, that the market-price of the agricultural products risc high enough to afford him the average profit, and still less a fixed excess above this average profit in the form of rent. It is not necessary, therefore, that the market-price rise, either up to the value or the price of production of his product. This is one of the reasons why grain prices are lower in countries with predominant small peasant land proprictorship than in countries with a capitalist mode of production?

The problem of agricultural prices in India does not stop with the tendency of their market prices to fall below value. There is simultaneously a tendency for market prices of industrial commodities, particularly of inputs for agriculture, to exceed their value and that too over and above the excess of production price over value necessary to equalise profit rates. Leave alone any tendency to equalise profit rates as between industry and agriculture, there is not even any tendency to equalise profit rates within industry itself. A combination of foreign TNCs allied with Indian comprador big business (including that of the government sector) dominate the highly monopolistic agricultural input markets. In discussions on agricultural input markets attention is usually focused on the role of the Western TNCs. But it should not be forgotten that the Soviet bloe has supplied one-fourth of the tractors in India and about 40 pcr cent of the fertilisers imported. Overall in this monopolistic market, prices consistently exceed not only value but even production price, in order to yield a super-prolit.

The effect of this double tendency (of prices of agricultural commodities to be below value and of industrial prices to be above value) is the emergence of an un-

equal exchange, rellected in the deterioration of the terms of trade of agriculture vis-a-vis industry. This deterioration is particularly marked with respect to industrial inputs used in agriculture. The terms of trade vis-a-vis industrial inputs (excluding electricity) declined from 100 in 1970-71 to just 71.2 1983-84.

The actual rates of return realised in agricultural production depend on two sets of factors—productivity and price ratios. Where new methods of production are being introduced and the ratio of inputs to output is going down, the rate of return would increase, provided changes in the relative prices of inputs and outputs do not cancel out the real changes in productivity. Where productivity is not increasing, has reached a plateau, the effect of adverse changes in relative prices of inputs and outputs could be particularly severe on agricultural incomes.

What the peasant seeks to maximise is the surplus on the land at his command. Though agriculture may be commercial, yet lacking any alternative avenue for the use of capital or family labour, the peasant would be forced to continue agricultural operations, even if the rate of teturn were to fall. At best there may be a switch from one crop to another.

The whole route of the Green Revolution technology has been such that increasing quantities of the modern inputs, like chemical fertilisers and pesticides, have to be used in order to maintain per acre yields. Not only has per acre productivity reached a plateau, but ecological factors (denudation of top soil, loss of micro-nutrients, water-logging, falling ground-water tevels, and so on) are asserting themselves with a vengeance to threaten a fall in per acre yields. These problems in productivity have been compounded by changes in price relations. The overall result is that there has been a considerable fall in rates of return. In wheat, the success-story of the Green Revolution, the rate of return declined from 20 per cent in the early seventies to just 4 per cent in 1975-76; it recovered to 12 per cent in 1978-79, but declined in the

The problem of returns is more severe in the ease of those crops that are the raw materials for industries in stagnation and decline. When the development of chemical dyes destroyed the natural dyes industry, the British indigo factory owners tried to put the whole burden of this crisis on the peasants who cultivated indigo. In jute, a contemporary stagnating industry, the jute barons are trying to put the entire burden of the crisis on the peasants, who grow jute, and on the workers in the factories.

In west UP, sugarcane has for long been an important cash erop for the peasants. In Mughal times itself the cultivation of sugarcane was well established in the Upper Doab (Saharanpur, Muzaffarpur, Bulandshahr, Meerut) and Rohilkhand (Bareilly, Bijnor, Budaon, Moradabad, Pilibhit, Shahjehanpur). The protobourgeoisic that grew in the 19th century is khandsari manufacture, did not, however, make the transition to capitalist, factory production. That was done by the north Indian comprador groups of Marwari and Bania traders, together with British suppliers of sugar machinery and Brilish managing agencies. Many of the major north Indian big business groups grew out of sugar (e.g., Thapar and Modi) or, at least, had a stake in it (e g, Birla).

The north Indian sugar industry, however, fell into a continuing crisis as the sugar industry developed in tropical and semi-tropical areas, such as Maharashtra, Karnataka and Tamil Nadu. The sugar recovery and the cane yield per acre were both lower than in these other areas, as shown in table. The reason for the lower sugar recovery per tonne of cane in both UP and Tamil Nadu is said to be climatic. Maximisation of sugar in the cane requires hot days and cold nights during the maturation period. UP is too cold and Tamil Nadu too hot for that optimum maturation. Tamil Nadu's high humidity, however, helps cane growth which offsets the lower sugar recovery.

With the profitability of UP sugar mills affected by the lower sugar recovery, the mill-owners have not reinvested in sugar. Preferring to divert the profits earned from sugar into other more profitable sectors, they have allowed machinery and equipment to run on without replacement, further affecting the productivity and profitability of the UP mills. Along with this they have attempted to hrow the burden of the crisis on the growers of cane and the workers in the mills.

The low sugarcane yields in UP and low prices are compounded by the fraudulent practices of the mills. The government fixes cane prices on a 8.5 per cent sugar recovery base with higher rates for every 0.1 per cent increase in sugar recovery. Since the recovery is above that level and the measurement of the recovery level is left to the mills, the mills can regularly cheat the growers by showing lower recovery rates. This also yields a number of unaccounted bags of sugar, whose sale gives an extra income to the mill manage-

TABLE: SUGARCANE YIELDS PER HECTARE, 1975-76

State	Sugarcane Yield	Sugar Produced Per		
	Per Hectare (Tonnes)	(Per Cent)	Hectare	(Tonnes)
UP	40.1	9.55	3.83	(100)
Maharashtra	88.4	11.29	9.97	(260)
AP	69.5	9.91	6.87	(179)
TN	95.5	9.14	8.81	(230)
Karnataka	75.9	10.71	8.10	(211)

Note: Figures in brackets are the index numbers of sugar produced per hectare. Source: Indian Sugar Yeur-Book, 1975-76, quoted in Commander, 1985.



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ment. All in all, the earnings of the sugarcane growers in UP have been seriously affected. Given the important place of sugarcane in the agrarian economy of west UP, it is no wonder that the recent agitation by 'farmers' in west UP, has centred round the question of eane prices.

The various 'farmers' movements. focused on the question of agricultural prices, have created a lot of problems for parties and analysts claiming to be of the left. The obviously multi-class nature of the movement is the first problem. The bulk of the participants are of the peasantry, ranging from rich to middle and even poor peasants. But there is also a visible section of landlords turned capitalist landlords, identified as belonging to the ruling coalition. Their participation in these movements can only be comprehended if in the ruling evalition, imperialism is seen as the leading force, a leading force with which the subordinate allies ean develop contradictions. To take an obvious example, that of Punjab. It was through the imperialist-sponsored Green Revolution that the Sikh landlord class took to the path of capitalist landlordism. But now this very class is finding that its avenues to further accumulation are being blocked by the very same forces that initially promoted it; and that its transformation into an industrial commercial bourgeoisie is being blocked by the subedars at Delhi. Though our main concern is with the peasantry, it is necessary to use all such contradictions.

Within the movement there are broadly three groups of forces—the capitalist landlords; rich peasants and the handful of gentlemen tarmers; and the middle to

poor peasants.

The landlord section is the most compromising section of the movement. Particularly when they come from the Hindu upper castes, they are well integrated in the ruling alliance. They have close links with the top bureaucrats. When they have, through using the state machinery, developed into a composite big bourgeoiscum-landlord class (as is the case with the 'co-operative' sugar barons of Maharashtra, or the Gujarati landlord-bourgeoisie eontrolling the 'co-operative' fertiliser corporation IFFCO) they are themselves a target of attack. But, even when they are aspiring to become a middle (national) bourgeoisie, they are apt to vacillate and quickly compromise when given a share of the spoils. At times they may raise the flag of 'regionalism' or sub-nationalism, but may not push the movement too far.

Rich peasants seem to take quite easily to a reformist ideology. The illusion that prices are everything is translated into a one-point programme of higher prices that will cure not only agriculture but even the country of all ailments! This is the approach of not only avowed leaders of farmers' movements (such as Sharad Joshi), but also of the so-called left parties

(such as the CPI(M) and CPI).

To remain at the level of prices, is to remain on the surface, and not to go beyond to the factors determining prices. The problem of unequal exchange, manifested at the level of prices, has its roots deeper in the continuation of a semifeudal agriculture and in the domination and exploitation of the Indian economy by imperialism.

This does not mean, however, that peasant movements must confine themselves to attempting to transform the production relations and leave the price question to take care of itself. That would be a typical 'leftist' mistake, which does not see that reality is mediated by appearance and that movements cannot be only on basic questions but must also be on immediate manifestations of those basic questions.

It is necessary to grasp both the immediate and the basic, and not just one or the other alone. To take hold of only the immediate leads to reformism, while concentrating only on the basic, leads to slogan mongering, divorced from any practical movement of the masses.

The movement for higher prices the needs to be combined with those against imperialist domination, landlordism and all other of forms of feudal relations. That alone will ensure the primacy of peasant interests and combat reformist illusions. Finally, it is also necessary to fashion a path of agrarian development different from the imperialist-sponsored Green Revolution; a path of agrarian development that relies on the peasantry, promotes technological self-reliance and is ceologically balanced

## Congress(I)'s 'Victory' in Tripura

Malabika Das Gupta

While the Congress(1)-TUJS alliance has won the elections in Tripura, it is hardly a defeat for the Left Front which has in fact gained a higher proportion of the votes now than it did in 1983.

OFFICIALLY, the Congress(1)-TUJS alliance has secured 31 out of the 59 seats to which elections were held in Tripura and the Left Front has trailed behind, securing only 28 seats. Former ministers and MLAs of the Left Front have been trounced by the Congress(I)-TUJS alliance and after ten long years of CPI(M)-led Left Front domination in the state, the Congress(I) and its ally, the TUJS, have wrested power from the Front in what appears to be a major electoral victory for Rajiv Gandhi. This 'debade' of the Left in Tripura has made the Congress(I) jubilant as the Tripura election results signify a major victory of the party in a traditional bastion of the Left. Naturally, it is expected that the victory of the Congress(I) in Tripura will have a dampening effect on the Lest and democratic forces in the country, toning down their anti-Rajiv campaign.

Yet, what is the real picture and the truth behind the scenes in this tiny northeastern state? Though the Left Front has secured only 28 seats, it has eaptured more than 51 per cent of the votes while the Congress(I)-TUJS combine has secured 48.2 per cent of the votes and 31 seats. In 12 out of the 16 tribal reserve constituencies in the state, the Left Front has secured 53.4 per cent of votes while the Congress(I)-TUJS combine has secured 45.51 per cent of the total votes east. In the seven reserved constituencies for the scheduled castes, the Left Front has secured 52.29 per cent and the Congress(I)-TUJS alliance 47.20 per cent of

the votes. Thus, the hold of the Left Front among the tribals and the scheduled castes has remained intact despite the election reverse. Except in Dharmanagar and Sadar sub-divisions, the Left Front has retained, and in some cases, improved its position.

In spite of these factors, what explains the Left Front's defeat in Tripura? By now, it has become widely known even outside Tripura that voters were intimidated into not casting their votes in some polling booths, particularly in Bishalgarh. There was widespread rigging at the counting tables by the Congress(1) candidates and their supporters especially when counting was in progress in 18 constituencies of the Sadar sub-division. The Congress(I) eandidates and their agents occupied the counting tables forcibly and in many eases, they evicted the Left Front agents from the counting hali under the benign eyes of the CRP who did not take any action against them. The role of the Chief Election Officer of Tripura was also questionable. In No 10 Majlishpur assembly constituency, the Left Front candidate was declared elected, the result was broadcast over the AIR but the chief election officer ordered recounting and the Congress(I) candidate was declared elected fiven the Election Commission has disowned responsibility for this act of the chief election officer. In No 17 Golaghati Assembly Constituency (ST) where the CPI(M) eandidate had lost by a narrow margin of 9 votes, recounting was not atlowed. It is believed that in the absence of large-scale rigging, the Left Front would have had a slim majority over the Congress(I)-TUJS combine.

The next question which inevitably arises is why was the Left Front going to be returned to power with a greatly reduced majority? In 1977 the Left Front had secured 56 of the 60 Assembly seats; in 1983, it had won 39 seats while in the 1988 elections, it has been able to retain only 28 seats, as is being repeated ad nauseum by the bourgeois press. The percentage of votes cast in favour of the Left Front has also declined from 52 to 51 per cent between 1983 and 1988. By contrast, while the Congress(1)-TUJS combine secured 44.80 per cent of the votes in 1983, it has improved its-position to 48.2 per cent in 1987. In urban constituencies, the Left Front has secured only 48.08 per cent of the votes.

Though widespread rigging in the counting of votes makes these comparisons meaningless to a large extent the fact remains that there has been an erosion in the power base of the Left Front while the Congress(1)-TUJS combine has gained, be it marginally, especially in the urban areas. The reasons for this phenomenon are not far to seek. Along with rigging in the counting booths, the Congress(1) had adopted all kinds of unfair means to secure this slim majority. Physyfooting about announcing the date of the elections, creating terror in the state by unleashing TNV killers who moved down over a hundred people in the week preceding the election (with help from the TUJS which, has overt and covert links with the TNV), holding out the enticement of the Loan Mela on the eve of the elections and blaming the Left Front of wanting to keep the poor in a state of poverty when it resisted the Loan Mela were all a part of this dirty game. In its election arsenal were also false allegations against the Left Front government and the usual false promises made by the Congress(1) high command including the prime minister and the two ministers of state Santosh Mohan Deb and P Chidambaram. (Just one example of the false allegations is that the Congress(I) claimed that Tripura had failed miserably in the poverty alleviation programmies while government reports indicated otherwise. The prime minister promised that Tripura would be put on the railway map of India but the railway budget makes no mention of one additional inch of railway tracks in Tripura). Deb was responsible for the false propaganda campaign mounted against the Returning Officer of six constituencies in West Tripura district who was gheraoed by Congress(I) leaders and hoodlums who alleged that he was caught red-handed tampering the postal ballots. Even though an enquiry was instituted by the Central Observer Team and the allegation was found to be baseless, the harm had already been done as Dev saw to it that the allegation got national coverage on the public media. Needless to say, the officer was removed from office.

Of course, the last straw was the unilateral declaration of the whole state as disturbed on the eve of the elections and the deployment of the army ostensibly to contain the TNV menace in the state without consulting the Election Commission or the state government. The decision to deploy the army went against the Buta Singh-Nripen Chakraborti agreement signed a few months earlier. Though the ostensible purpose of inducting the army in Tripura was to deal with the TNV menace so that the elections could be held smoothly in the state, it was obvious that the scheme was engineered with a political end in view. In Agartala, the capital town where the TNV had never struck, the army staged a flag march before the election. The presence of the army clearly intimidates a section of the population and there were reports that the army was being used to terrorise people against voting for the Left Front. The TNV menace is not a new phenomenon in Tripura and the state government had been crying itself hoarse for additional military and paramilitary forces especially in the sensitive eastern border of the state but its crics went unheeded till in the interest of the ruling party at the centre, forces were deployed in Tripura. This unprecedented act in the history of elections in Tripura also explains to a large extent the defeat of the Left parties in the state. One is naturally tempted to ask, did the TNV activities reach a crescendo immediately before the elections only so that the army could be brought into the state and to contribute to the Congress(I) winning the elections?

Last, but not the least, the time lias come to do some soul searching to find the cause of the electoral reverse. Why did some people forget or choose to ignore the excellent record of performance of the Left Front government during the last ten years at the time of the elections? Was it due to some organisational weakness or was the Left Front suffering from undue complacency? So that it underestimated the seriousness of the situation and failed to react to the calculated moves of the Congress(1) to oust it from power or overlooked the strength of the fascist tendencies of the ruling party at the centre?

Why did the Congress(I) set such a high price on victory in Tripura even if it could win only a pyrrhic one? The elections in Tripura and the importance of the outcome have to be seen in the context of the situation prevailing in the whole country in order to understand the unprincipled alliance of the Congress(I) with a regional party (the TUJS) which has overt and covert links with the TNV and the use of

all kinds of unfair means to secure the desired end. Rajiv Gandhi came to power riding high on the sympathy wave but the true character of the government has been exposed and his government stands discredited in many parts of India. The threat of the Left and democratic alternative looms large in India now. In order to stall the move to remove him from power, Rajiv had taken the elections in Tripura as a serious challenge and a prestige issue for winning which he was willing to sacrifice all democratic norms.

The 'victory' of the Congress(I)-TUJS combine does not augur well for Tripura. The unprincipled alliance between the two strange bedfellows, the Congress(I) and the TUJS is not likely to last longleading to political instability in the sensitive region. The genuine developmental efforts that were initiated by the Left Front government ten years ago are likely to be stalled and the major casualty of this will be the carefully nurtured unity between the tribals and non-tribals in the state based on a relentless struggle against the common enemics, poverty and ignorance. However, the most serious loss resulting from the election reverse in Tripura is the loss of democracy and the cause of the bourgeois democratic revolution. Not only for Tripura but for the country as a whole, the indications let loose by the elections in Tripura are bleak and frightening. The unashamed rape of democracy that was observed in Tripura will not spare the rest of the country if the need arises. Already in Tripura one sees the dangerous outcomes of a fascist

In the name of curbing TNV violence, the state machinery has come down hard ou the Left and democratic forces in the state. NASA has been promulgated in Tripura and quite naturally, the CPI(M) cadies have been its victims. Democratically elected bodies like the panchayats have been crippled into inaction, the Agartala municipality and the notified area committees have been dissolved and anti-tribal measures like the ban on ihuming have been introduced by the new government. The political solution to the problem of extremism has been given up and the army is being used to wage a war of attrition against tribals and CPI(M) cadres. CPI(M) party offices are being attacked and even democratically elected students' councils dominated by the SFI are being disbanded.

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## **Debt-Equity Swaps**

## New Way Out of International Debt Crisis?

Nirmal Kumar Chandra

Debt-equity swaps are beneficial to the creditor banks and the equity investors, provide short-term relief to the debtor governments, and are injurious to the long-term interests of the debtor nations.

AS the international debt crisis persists, some creditor banks in co-operation with the debtor governments have found an apparently painless, though admittedly partial, solution in debt-equity swaps. What are these swaps like? Take the case of Nissan Corp (Japan) which purchased on the secondary market through Citicorp (US), Mexican debts with a face value of \$ 60 million for a sum of \$ 40 million, sold the debt to the Mexican government for \$ 54 million in Mexican pesos, and the local currency proceeds were invested in Nissan's Mexican atfiliate. It looks like a copybook example of Pareto-optimality: the original creditor must have been happy to have recovered two-thirds of the face value in dollars, Nissan obtained Mexican pesos at a discount of 26 per cent and the Mexican government not only took a 10 per cent cut but managed to liquidate its dollar loan. The supreme virtue of it from a Reaganomic perspective was that the entire operation was carried out by using the 'normal' market channels without the use of political pressures or threats.

Swaps have grown in importance in the last three-four years. Up to November 1986 Chile alone had retired as much as \$ 1.2 billion or about 7 per cent of its total debt of \$ 16 billion through swaps. Brazil since 1983 up to mid-1986 has gone for even larger swaps estimated at \$ 1.8 billion. The aggregate for five major countries like Chile, Brazil, Mexico, Argentina and the Philippines was put at \$ 3 billion up to September 1986 which is, however, a tiny fraction of their total debts of \$ 220 billion. The protagonists of the swap do not see it as the miracle solution, but rather as an important step forward; if only a significant part of the overall debt could be reduced in this manner the ability of the debtor nations to service the remainder would improve and the creditors would not have to sell their loan papers for a discount.

Not all swaps are alike. Apart from Nissan, Chrysler also invested \$ 100 million in this manner to recapitalise its Mexican affiliate. In the case of Brazil a major part of such operations related to transnational corporations (TNCs) converting loans to their own affiliates into equity. The Chilean scheme permits investments in new ventures as well as pur-

chase of assets in existing firms; even domestic residents are allowed to acquire foreign exchange through the black market and invest the proceeds in swap deals. The Bankers Trust (US) converted its own \$ 60 million loan to the Chilean government into a 51 per cent equity stake in Chile's largest pension fund and a 97 per cent interest in an insurance company; another \$ 17 million was yet to be invested. In the Philippines, American Express (US) converted its \$ 10 million of public sector loans into a 40 per cent stake in the International Corporate Bank of Manila.

One obvious danger of swap deals is that of 'round-tripping', i e, outflow of dollars from firms acquired through swap deals. Chile prevents it by forbidding any dividend payments abroad during the first four years, or capital repatriation before the expiry of ten years. Secondly, while Chile allows its own residents to acquire foreign exchange on the black market and recycle it back into the domestic economy via the swap deals, most others do not;

for this is another kind of round-tripping which does not bring in even apparent gains to the economy. Spokesmen of transnational banks (TNBs), however, do not like such restrictions. Thirdly, although Chile allows foreign equity to come into almost any sector, other countries restrict them to specific sectors in the light of overall national policy. In Mexico the government takes a 'cut' of up to 30 per cent of the face value of debts to be converted into equity, the magnitude depending on the sector or the geographic regions in which the tunds are invested. Once again the TNBs have been clamouring for as few restrictions as possible.

One may now look at the desirability of the swap deals. It is mostly the smaller creditor banks in the west which dispose of their debts at a discount through the mediation of larger TNBs, while the equity investors are usually the TNCs or residents in the same group of countries; the deals are obviously lucrative for both, or else these would not have taken place. What about the debtor countries which, claims Susan I. Segal, senior vice-president, Manufacturers Hanover Trust, New York, are the "largest beneficiaries"? (CTC Reporter, 1987).

The main attraction of the swap deal for the debtor government is that the dollar debt along with its fixed amortisation outflows is liquidated. But the future liabilities may in fact be greater. R I french-Davis, former deputy manager, Central Bank of Chile, observed that "in the case of Chile the profit rates net of

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taxes tend to be significantly larger than interest rates, particularly for the firms involved in the swaps". Generally speaking, the average medium-to-long-term rates of return on equity investment abroad must exceed the banks' lending rates in the capital exporting countries; otherwise, very little of venture capital will come out. If equity capital obtained through the swap deals were invested in export-oriented sectors, the long-term balance of payments situation might not deteriorate. But then the extra advantage (viz. the discount) of swaps could only be a minor consideration in decision-making: besides, there is little evidence that those entering the swap deals invested their funds in export-oriented sectors to a significant extent. Indeed, according to Ffrench-Davis again, the swaps for Chile involved "firms producing non-tradeables with unsophisticated technology and in politically sensitive areas". The long-term impact of the swaps on the balance of payments or on national economic sovereignty is thus likely to be worse than for the original loans with all their onerous conditions.

Susan Segal's next argument for the swap deals is that without the incentive of discount on debt-equity conversion, such investments would not be made at all; in other words, the deals lead to an additional flow of foreign investments into these countries. There are at least two types of swap deals which involve no additional investment in any form. Thus when assets of existing firms, e g, the Chilean pension fund cited earlier, were acquired in this manner there was no injection of fresh capital. Similarly, when foreign affiliates in Brazil converted their debts to the parent firms into equity, it was a matter merely of restructuring the former's capital base and there was no question of additional investment. Let us now examine the cases like those of Nissan or Chrysler in Mexico where new investment were made through debt-equity conversion. No one can deny that the discount factor will enhance the investors' profitability, and in marginal cases play a decisive role. On the other hand, in nonmarginal cases, i.e. when the expected profit margins are quite high, the potential investor will opt for a swap deal with its discount factor in lieu of cash investment in dollars for which no such discounts are available: the swap deal in that event does not lead to an additional flow of investment. What is the relative importance of marginal and non-marginal investments in the above sense? A priori the latter should predominate inasmuch as most foreign investment projects have a high profitability compared to which the discount factor is a relatively minor inducement. There is, indeed, some evidence that in the recent past the debt-equity swaps have partly replaced the traditional mode of foreign investment. Thus in Chile the part financed by cash inflows from abroad dwindled from an annual \$ 344 million in the two years 1981-82 to around \$ 100 million in the next three years, 1983 to 1985. According to Ffrench-Davis, however, the total inflow of foreign investment, including the swaps and the cash inflows, actually increased over the period. For other debt-ridden countries there are no figures on the extent to which swap dcals replaced cash inflows. As in Chile, the annual cash flow into Argentina declined from 357 in 1980-81 to a nierc 50 in 1982-84, and into Mexico from 824 in 1980-82 to 286 in 1983-85, the figures being in SDR million; but in Brazil the flow increased, and in the Philippines it was highly volatile throughout the 1980s. On the whole, one may conclude that the swaps should have partly replaced the cash inflows, and could have led to additional foreign investment only in a small number of eases. Even in the latter event since foreign investment was made in local currencies, the recipient countries could not have derived two of the supposedly major benefits of foreign capital, namely foreign technology and foreign capital

Let us now look at the final argument in favour of the swap deals. These deals, according to Susan Segal again, can "help finance the operating budgets of debtor governments through the cut they take of the local-currency proceeds of the conversion process". Going back to Nissan's arrangement with the Mexican govern-

ment, clearly the latter pumped in additional cash to the tune of \$ 54 million in pesos to finance the former's expansion: the \$ 6 million 'cut' merely reduced the extent of cash disbursement by the government, and in no way augmented its 'operating budget'. Indeed, as Mexico has been subject to the notorious 'IMF conditionalities' which restrict inter alia the volume of net eredit from the banking system to the government and the public sector, the overall outcome of a swap deal would be an equivalent reduction (to the tune of \$ 54 million in pesos) in funds available for government expenditure. In other words, it is a sort of privatisation, a clear transfer of resources from the public to the foreign-controlled private scctor. Or, perhaps, Susan Segal is after all right; the IMF hawks may deliberately turn a blind eye to additional credit creation by the government so long as it is in favour of foreign capital, and other parts of the economy could also benefit from the multiplier effects of the foreign investment. But then the same results could be obtained if the Mexican government decided to defy the IMF and injected new credits into the economy in tune with its own plans and priorities. Thus the swap deals lead either to no recapitalisation at all, or to a special kind of recapitalisation when the country is operating within the IMF straitjacket.

This whichever way one looks at it, the debt-equity swaps are beneficial to the creditor banks and the equity investors, provide short-term relief to the debtor governments, and are injurious to the long-term interests of the debtor nations.

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DIRECTOR

# NGOs, Government and Private Sector in Health

Ravi Duggal

State welfare is today caught between two opposite forces—the demands of the working classes for more welfare and the pressures of capitalism to reduce state intervention in economic and social relations. One of the responses of the private sector to this has been the establishment and strengthening of the NGO sector.

NGOs are private organisations, but their nature makes them somewhat different from what one generally refers to as the private sector. Firstly, organisations operating as NGOs are registered either as 'trusts' or 'societies'. As a consequence, they are not supposed to make profit, unlike the private sector.

Secondly, NGOs are involved in the 'development sector'; that is, running programmes such as health, nutrition, family planning, education, water supply and sanitation, urban renewal, housing, research, training and documentation, agriculture related development programmes (IRDP etc) and employment programmes (FFW etc), among others. These constitute what one might call service-NGOs. Another category of groups included under the banner of NGOs are activist groups who are involved in conscientisation and struggle oriented activities, but they may also undertake some services. Organisations that are usually only production-oriented are normally not included under the NGO umbrella. However, some service NGOs may undertake production activities such as agriculture, household industry, etc. And there are also funding agencies which are referred to as NGOs.

Thirdly, NGOs are invariably dependent on external sources of financing for their activities (including most activist groups).

And finally, a large number of NGOs, especially in rural areas, run programmes of the government on a contractual basis because of their (NGOs) supposed dedication and flexibility. This is a more recent phenomena (Fifth Plan onwards)—the government, for instance, gives its own health centre or IRDP project to be run by an NGO because the government believes that its own structure is inefficient, bureaucratic and incapable of reaching the beneficiaries.

In 1953 the government set up the

Central Social Welfare Board, to provide grant-in-aid to NGOs. Further, in its own development programmes, the government sought the expertise and cooperation of well-known NGOs. This was more so necessary when CDP was evaluated at the end of the First Five Year Plan by the Planning Commission: "Most of the time was spent in solving procedural/administrative wrangles making implementation of programmes inefficient, inadequate and wrongly directed" (GOI, 1958).

The government could not ignore the social services sector and the private sector was unwilling to invest in social infrastructure. The private sector, for its own expansion and profitability, pushed the government into investing vast public resources in building infrastructures and heavy industry that was essential for economic growth, but more so to facilitate the growth of private capital. As a consequence, the social sectors like health and education were totally neglected-health sector was mainly operated by private practitioners and a large number of hospitals run by NGOs, and the education sector was mainly run by NGOs (missions, public trusts and societics).

The NGOs in these early years were largely concentrated in urban areas, but many were now gradually spreading their tentacles into the countryside, the leaders being Gandhían and Christian missionaries.

In the health sector the government, though in principle had accepted the Bhore committee recommendation, was still undecisive—even today, the physical targets recommended by the Bhore committee are far from realisation. The anti-malaria and anti-smallpox campaigns were undertaken at the behest and with support of international agencies. It was not until the mid-sixties (Third Plan) that the health infrastructure for rural India got serious attention from the government. This too for two reasons—the

resurgence of malaria and the government's decision to give family planning programmes a big boost through the camp approach.

This was also the time when the green revolution in India began and the country-side had suddenly come into focus (from the perspective of mainstream economics). The corporate sector showed increased interest in rural India for here was an opportunity to capture rural markets not only with the new agricultural technology but also (due to increased commercialisation of agriculture) with other goods and services.

The corporate sector, however, was unwilling to go on its own into the rural areas. It wanted cruiches from the government and the latter obliged by starting massive agricultural development programmes such as IADP and later SFDA. In these programmes the inputs for modern agriculture (equipment, fertilisers, high yielding variety secds, pesticides, etc) were provided by the corporate sector through the government agencies to the farmers. The government paid the corporate sector for goods and services and marked the amount as loan and subsidies to the farmers. Thus, the corporate sector's profits were assured. To facilitate the government's loan programmes the corporate houses set-up NGOs who would act as middlemen between the peasantry and the government (using the same logic-government is inefficient and private sector is dedicated and effective).

This was a new kind of association for the Indian corporate sector with its periphery (earlier they only looked for raw materials and cheap labour in the periphery) and it promised assured returns because of the involvement and participation of the government at two levels—one as a monopoly buyer of agri-products and the other as a concession giver, in the form of tax-expenditure (with weighted deductions) and tax-holidays for venturing into agri-business and moving into the countryside (of details see Duggal, 1985).

These NGOs, floated and/or supported by the corporate sector, invariably used medical programmes or drought relief as entry points. Though their interest was in promoting 'new agriculture' and expropriating surplus, they also added social services such as medical, education, vocational training programmes, etc, to their activities, both for legal purposes (because they were registered as 'trusts' or 'societies') as well as to show that they were social' y responsible! However, their approach was significantly different from

that of the existing NGOs. They broke away from the charity oriented/do-gooders approach and established a new trend.

Where the government was concerned, until the Third Five Year Plan, its official approach vis-a-vis the NGOs was mainly one of a grant giver. After the Third Five Year Plan the country went through a prolonged and widespread crisis: The contradictions of the green revolution began to emerge, the Fourth Plan was delayed, there was widespread famine in the country, the Navalbari uprising spread into a movement and was repressed brutally, and the Congress party split. This crisis ended with the nationalisation of banks and elimination of privy purses on the one hand and a new rural development strategy in partnership with the corporate sector on the other hand (passage of section 35(C) of the Income Tax Act in 1968 which provided 120 per cent weighted deduction from taxable profits to the corporate sector for undertaking agri-business).

The World Bank provided full support to this new strategy of the government and the Indian corporate sector. This support of the World Bank and private US foundations, besides western government AID programmes, encouraged the Indian private sector, to directly as well as through their sponsored NGOs, to move into rural areas in a big way.

Thus, the corporate sector professionalised the NGO sector. In contrast to the charity approach, the new approach (also referred to by many as the 'development' approach) was 'not to give anything free of charge' because—

- i) whatever is given free is not seen by people to have a value—
- ii) it creates a 'feudal' relationship of giver-recipient
- iii) it generates a dependency among beneficiarics, and
- iv) it acts as a barrier to 'peoples participation'.

In the health sector, this new approach was first demonstrated in Narangwal, Punjab, by Carl Taylor and associates but its consolidation took place only in the early seventies in Maharashtra with the Jamkhed, Mandwa and Miraj projects of different NGOs. A model for village based outreach health care delivery was demonstrated; and by mid-seventies this model had proliferated all over the country, and even before Alma-Ata it was officially incorporated by the government in its own health programmes.

After independence the government accepted the strategy outlined by the Bhore committee. However, after 39 years of independence we are still nowhere nearer in realising the recommendations

of the Bhore committee. For instance, the Bhore committee had suggested that for a population between 10,000 and 20,000, there should be a 75-bedded primary health centre. However, even under the Seventh Five Year Plan, the target of the government still remains a seven-bedded primary health centre for a 30,000 population with less than half the personnel recommended by the Bhore committee.

The implementation of this plan was never taken seriously because:

- a) the health of the people is not considered a priority area of development by the government whose power base operates through kulaks and the bourgeoisie,
- b) the private health sector and the system of private practice of medicine has prevented the government from developing the medical and health functions for the peoples' benefit. Sops such as charitable or 'voluntary' hospitals providing 'concessional' care have mushroomed to give a respectability to private medical practice,
- c) the government's planning and programming has never taken into account what the actual requirements of the people are—people have always been 'given' what the government thinks people want and even the latter does not reach them,
- d) the government's obsession, under the influence of international agencies, in the health sector has always been with family planning, and
- e) public resources have largely been invested outside the social service sector, mainly benefiting the growth of private capital.

It is clear that the failure of the government health and development programmes is organically linked to the manoeuvering of the private sector. How did the private sector achieve this?

The growth of the private health sector has been phenomenal after independence, growing each year from strength 10 strength. Its biggest support is the pharmaceutical industry—from the late fifties onwards pharmaceutical MNCs began their entry into India and from then till today have monopolised control over the peoples' health.

British imperialism had cultivated a health care delivery system that served only the British and the Indian classes that owed their allegiance to them. Rural India, comprising over 80 per cent of Indians, was left to its own means. The only contribution the British made was to leave behind a grandiose plan—the Bhore committee report. After independence, the government accepted the plan in principle, but since health care was not a priority

area it ignored it, providing an opportunity to the private sector to monopolise it; and once the pharmaceutical MNCs came, there was no looking back away from privatisation. Thus, government's indecisiveness in the social services sector, including health, housing and education, led to the strengthening of the private sector in these areas.

The private sector was most pleased to let the government have a monopoly of infrastructure related heavy industry and general infrastructure because they (private sector) did not have the ability to muster resources required for such industry. Over the years the governmentrun programmes and projects showed heavy losses and indicated the government's inefficiency, complacency and corruptibility. On the other hand, the private sector demonstrated its efficiency. cost-effectiveness and ability to execute anything successfully. The private sector established its credibility, which the government was forced to recognise and the latter began framing policies that increasingly shifted in favour of the private sector. Even in provision of 'social services', which under the concept of the welfare state are the concern of the state, the private sector demoustrated models through its NGOs.

In the health sector today private practice is the most easily accessible and acceptable form of medical care that people have come to recognise and utilise. The public sector's rural health services are greatly discredited, both because of poor services and because their primary concern is family planning; people utilise private services most of the time. In urban areas private practice thrives because public facilities provided by local bodies are inadequate, inefficient and bureaucratic. These factors, over the years, have resulted in private practice of medicine becoming deeply entrenched in society, acquiring a credibility, that even the government has euologised.

Thus, the private sector assured the failure of government's health programmes by:

- a) monopolising and controlling pharmaceutical manufactures suited to their profitability and not necessarily to what the people's needs were, forcing the government to strain resources to acquire essential drugs through imports;
- b) demonstrating that they could administer health care better and more effectively to the people than the government, which recruited mostly doctors and other health personnel who could not establish private practice or find private jobs, leading to further complacency and inefficiency of the government's health care delivery system, and

c) forcing the government's health structure to push vigorously population control, thus discrediting the government's health care delivery system.

#### NGOs-A NEW POLICY

The 1970s saw a great mushrooming of NGOs for various reasons. Firstly the government was encouraging them by giving grants or permitting them to receive foreign funds directly. Secondly, the corporate sector in partnership with the government was encouraging and supporting NGOs, especially in the rural areas. Thirdly, new tax deductions to donors for providing funds for rural development and social services to NGOs were introduced in the Income Tax Act, therefore, increasing willingness to donate funds to NGOs. And finally, the professionalisation of the NGO sector provided opportunities to committed and motivated individuals to take up careers in 'development'.

Further, in the Fifth Plan period the government began encouraging NGOs to take over, on a contractual basis, the programmes of the government in the social services sector. This was certainly a major policy shift from being earlier only a grant-giver. In the health sector the government began giving its primary health centres to the NGOs to run them; also, certain national programmes (c g, leprosy) in a specified area would be given to NGOs to implement. Under the Sixth Five Year Plan this process was accelerated. In addition NGO representatives were made official advisors or nominated as experts in government committees and bodies, including the Planning Commission, indicating that NGO business was also official business.

During the Sixth Plan period NGO representatives lobbied the government with all its might and its impact can be seen in the National Health Policy statement and the Seventh Five Year Plan.

The Approach Papers of the Seventh Five Year Plan calling for greater participation from NGOs states, "voluntary organisations will have to be associated more closely and actively than hitherto with the programmes for reduction of poverty and with the efforts to make the minimum needs available to the population for improving their quality of life. This will be incorporated as part of the overall strategy for augmenting such programmes meant for the poor, as also an alternative feedback mechanism for ascertaining whether the target groups have received the benefits meant for them" (GOI 1984).

The Ministry of Health and Family Welfare (MHFW) is in full agreement with the Planning Commission on the issue of

greater involvement of NGOs in the field of Health Care. In a recently published document (GOI, 1985) it categorically states, "The government has envisaged a very prominent role of voluntary organisation/NGOs in the implementation of these (health, family planning and 20-point) programmes. In October 1982, directives were issued that voluntary agencies be involved in the implementation of anti-poverty and minimum needs programmes which contain all the important health programmes... Voluntary organisations are doing a very creditable job in organising and running hospitals and dispensaries in India. India is only second to the US in terms of number of hospitals outside the government health sectors and run by NGOs. If suitably encouraged in terms of liberal financial grants, they can contribute a great deal in filling the gap of referral hospitals at taluka level, district level and in urban

Even the National Health Policy of 1983 recognised the need for greater reliance on the voluntary and private sectors for achieving the goals of 'Health for All by the Year 2000 AD'. "The policy envisages a very constructive and supportive relationship between the public and private sectors in the area of health by providing a corrective to re-establish the position of the private health sector" (ibid).

The above statements make it appear that:

- a) the government has accepted its inability to provide adequate health eare:
- b) the active participation of the NGOs is most necessary for achieving goals of the health sector; and
- c) privatisation of the health sector will result in better provision of health services.

This perspective suits both the government and the private health sector. Thus, a self-fulfilling prophecy is generated that:

- a) the government is inefficient, complacent and too bureaueratised and therefore cannot reach the people with its development programmes, howsoever well planned; and
- b) that the private sector is efficient, cost-effective, flexible and non-formal and therefore it can successfully execute the programmes of development taking it to population groups for whom they are really meant.

All this is clearly indicative of the close nexus between the private sector, NGOs and government policy-making. The role played by the private sector in building up its socially more acceptable image through the NGO sector emerges clearly. How the government is used by the private sector for strengthening itself has also been

established.

Today, in the health sector, as well as in other sectors of the economy, we see a great boom in privatisation both independently as well as through the NGO sector. Diagnostic centres, corporate hospitals, health insurance and the like are on the uptrend, egged on by the present government's policies to "re-establish the private sector".

Will all this lead towards 'Health for All'? To answer this we need to look at the social structure. And since the purpose of the NGO is organically linked to welfarism and directed at managing inequality under capitalism, a brief description on the nature of welfarism would be in order.

A social structure that is founded on the principles of inequality is time and again forced to introduce palliative measures so as to stem the rising tide of class conflict. Welfarism in capitalist societies (developed and backward) is one such response. It seems to blunt both the contradictions of capitalism as well as to provide a defence system against the consequences of unequal social relations.

Historically, under capitalism in its development process, the state was delegated the responsibility to provide for welfare from public resources. The capitalists, who facilitate unequal relations did not deem welfare as their responsibilitytheir sole objective being expropriation of the greatest possible amount of surplus. And whenever the capitalist did provide some welfare measures (as a consequence of workers' struggles) to workers it was only against tax expenditures—which indirectly meant a reduction in the state revenue. State welfare for capitalism was a double-edged weapon. It provided political stability which was essential for further growth of capitalism and it directed or diverted the conflict against the state which had become the main welfare agency. In other words the state more than the eapitalist became the enemy of the working class. On the other hand, for the working class, welfare and not the right to employment became a legitimate and institutionalised means of attaining a better standard of living. Thus, the struggle for a change in the social order got institutionalised into a system of compromises, assuring both, a stability that would help the advance of eapitalism and at the same time create an increasing dependency of the working class on the state.

It must be noted that welfarism got established firmly only in the developed western bourgeois democracies, where today it is under great strain with the state facing a fiscal crisis. State welfare is today caught between two opposite forces—the

demands of the working classes for more welfare and the pressures of capitalism to reduce state intervention in economic and social relations. And one of the responses of the private sector to this, as discussed earlier, has been the establishment and strengthening of the NGO sector.

In this complexity of affairs where do people stand? Can we assure them health? The history of our development programmes indicates that different strategies have been tried out but have failed miscrably. There have been no structural changes but only efforts at extenuating crises situations that only help postpone the crises. But for how long? Capitalism and inequality strive with the pid of state patronage and repression. NGOs consciously or unconsciously, are part of this system and are using ever larger amounts of public resources. The state's recent policies are supportive of this and channelise an increasing amount of funds for the NGOs. Though the NGOs have demonstrated that they can run specific programmes limited to a specific population efficiently, including reaching out to the undeserved and the underprivileged, there is no evidence that they have brought about either change or people's participation which they are never tired of talking about.

Thus, it is clear that NGOs serve the system rather than the people, that they preserve the status quo instead of bringing about change and that they are often only another face of the private sector. Therefore, the question whether 'Health for All' is possible cannot be seen independent of structural changes. It is there that the answer lies.

Presented at the Seminar on Health for All Concept and Reality, November 15-16, 1986 organised by the Foundation For Research in Community Health, Bombay. This paper is partially based on data collected for the study "NGOs in Rural Health Care" by Amar Jesani, Manisha Gupte and Ravi Duggal, FRCH, Bombay, 1986

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# Current Agrarian Scene: Policy Alternatives

C H Hanumantha Rao

The present agricultural strategy has enabled us to accumulate stocks of foodgrains sufficient to meet the internal demand without recourse to imports, but this 'self-sufficiency' has been achieved at the cost of other equally important objectives of agricultural development, viz, imparting stability to output growth, eradication of rural poverty and reduction in regional disparities.

IT has been persistently claimed in the recent period that we have not only achieved self-sufficiency in foodgrains in the country but also achieved relative stability in out put and acquired the necessary resilience to withstand droughts. But the current drought in the country and the performance of kharif output casts serious doubts on some of the assumptions underlying our agricultural strategy. On all indications, the fall in kharif foodgrams output this year is likely to be as much as 20 nullion tonnes. Past experience shows that whenever there was a severe drought and a significant decline in kharif output, there has been a decline in jabi output also, though to a lesser extent than in kharif output. All that the crash rabi campaign does is to prevent a steep decline in output. Therefore, it should not be surprising it the shortfall in toodgrams output in the country this year exceeds 20 million tonnes. This would amount to a decline of at least 13.5 per cem over the previous year's output of 148 million tomies

There are indications that droughts have become severe over a period of time. The failing of monsoons now causes a greater decline in output than a similar failure used to do 20 or 30 years ago. This is being misconstrued by some as a change in the rainfall pattern itself on account of defores. tation and ecological or environmental degradation. However, if we look at the numfall pattern over the fast 100 years in India, it does not show any downward or upward trend, although it does depict year-to-year fluctuations. The incidence of below normal rainfall was as frequent in the past when forest cover was good as in the recent period. Similarly, the frequency of above normal ramfall years does not seem to have declined in the recent decades when there has been a denudation of forests.

However, there is no doubt that ecological degradation has made droughts more severe. This is not so much on account of change in rainfall pattern as due to insufficient retention of soil-moisture and the consequent lowering of underground water table leading to scarcity of drinking water, fodder and fuel-wood. These scarcities have increased the burdens for the rural poor, particularly for women and children.

Droughts obviously cause greater hardship in the dry regions when compared to the irrigated areas. The poor comprising small and marginal farmers and the landless labourers suffer the greatest because of their low staying power and also because the proportion of people below the poverty line is higher in the dry areas or where the percentage of area irrigated is low. In general, the landless labourers suffer the biggest decline in employment and income when there is a decline in output on account of drought. This is because, as mentioned earlier, foodgrains output has become more sensitive to variations in rainfall. New technology such as high-yielding varieties and fertilisers are critically dependent on soil-moisture so that a given shortfall in monsoon causes a greater cut back in employment than before. Besides, a good part of the minor irrigation, expanded recently, is itself sensitive to monsoons.

#### GROWING CAPITALIST SECTOR

This year-to-year variability in output is, however, associated with an increase in profitability of agriculture for large farmers or the capitalist sector on account of the use of new technology. Because of better resource position and the consequent staying power, a capitalist farmer faced with the alternatives of low profit with stable yields on the one hand, and high profits with unstable yields on the other, would prefer the latter because he can afford to bear some risk of loss in yields in return for higher average profits over a period of time. This is precisely what seems to be happening in Indian agriculture.

We have a growing capitalist sector in Indian agriculture in relatively stable as well as unstable situations. In Punjab-Haryana where 80 to 90 per cent of the cultivated area is irrigated and where output is much less sensitive to rainfall than in the rest of the country, the capitalist sector in agriculture is growing which enjoys the double advanrage of higher level of profits as well as relatively stable yields. We have also a growing capitalist sector in dry regions like Gujarat Maharashtra where rainfall is low and highly variable and where irrigation facilities are much below the national average. Consequently, the instability in vields is much higher and yet the long-term growth in output is also higher than the national average because rising profits in the long-run more than compensate for the setback in yields in certain years.

Andhra Pradesh represents these two divergent situations as well as the most depressing combination of low growth with high instability as in Rayalaseema. On the whole, the capitalist sector in Andhra Pradesh agriculture is gradually approaching the Punjab-Haryana model of higher growth

with lower instability.

For the country as a whole, the large farm sector or eapitalist sector in agriculture which employs bulk of the hired labour has been experiencing increasing sensitivity of output to variations in rainfall, resulting in increasing instability in employment and income for the poor.

It has been estimated that, on an average, for a decline in agricultural output of 10 per cent, there would be a cut back in employment of labour to the extent of 6 per cent. On this basis it has been estimated that people below the poverty line in the country would be losing as many as 1,400 million person-days of employment this year on account of drought. As against this, the employment generated in a normal year through the special employment programmes such as the NREP and RLEGP amounts to about 500 million person-days. If drought relief programmes are to fully protect the incomes of the poor this year, they would have to generate as many as 900 million person-days of employment in addition to the employment generated under the special employment programmes,

I have quoted these figures in order to highlight the severity of the problem of poverty and destitution on account of instability in output and droughts. Clearly, a strategy that minimises the vulnerability of agricultural output to droughts should be preferred to a strategy which causes instability and hence necessitates employment generation on a massive scale through special programmes. In any case, these programmes have failed so far to generate productive and durable assets for creating employment on a sustained basis. It must be pointed out, however, that attainment of complete stability can never be a realistic or attainable goal for agriculture which is necessarily dependent on nature. We cannot, therefore, minimise the importance of drought relief programmes. Yet there is considerable scope for reducing instability in output and such opportunities need to be fully explored.

#### 'SELF-SUFFICIENCY' IN FOODGRAINS?

But before we set out to explore these possibilities, we have to ask some basic questions about our agricultural performance and agricultural strategy. Is it true that we have achieved self-sufficiency in foodgrains if we take into account the nutritional requirements of the poor in the country? How have we been able to accumulate large

stocks of foodgrains despite slow growth of agriculture and despite the persistence of widespread poverty? As I mentioned earlier, the problem of droughts and their increasing severity eannot be attributed to the weather-gods or to the changes in rainfall pattern. Droughts and instability are not isolated events. They are the products of the particular strategy of agricultural development followed and we have to find solutions in terms of basic changes in strategies and policies.

'Self-sufficiency' in foodgrains is always defined in relative terms, that is, at the given level of demand arising from the given level of income distribution and purchasing power. According to the Seventh Five-Year Plan, about 40 per cent of the rural population or about 37 per cent of the over-all population in the country is still below the poverty line, the calorie intake of such people being below the nutritional norm. If somehow the purchasing power of this population below the poverty line can be increased to enable them to buy additional quantities of foodgrains sufficient to meet the nutritional norm, then the existing level of foodgrains output would be grossly inadequate and we would no longer be selfsufficient in foodgrains.

Foodgrains output in the country has been growing at the rate of about 2.7 per cent per annum since the beginning of economic planning. If we allow for the population growth of around 2.2 per cent per annum, the improvement in per capita terms has been meagre, i e, 0.5 per cent per annum. Although the rate of growth in loodgrain production in the pre-green revolution period, i e, perior to mid-1960s, was not lower than in the post-green revolution period, it did not generate enough marketed surpluses of foodgrains in relation to the demand in the non-agricultural sector and we had to import large quantities of foodgrains, such as during the drought of 1966-67. By contrast, during the severe drought of 1979-80 we could meet the requirements from internal stocks. By and large, we would be in a position to meet the requirements from internal stocks during the current year also, despite the severe drought.

Thus whereas agricultural output and rural employment has become more vulnerable to droughts in the post-green revolution period, the urban population has become less vulnerable to shortfalls in foodgrains This is explained by the fast growth of marketed surpluses of foodgrains in the post-green revolution period. Also, the growth of surpluses has been on a more stable footing than the total output. It appears, therefore, that the shoeks administered by the weather-gods are being increasingly absorbed by the rural sector, particularly by the rural poor, while the urban sector is being insulated from such weather shocks.

#### LARGE SURPLUSES DESPITE MODEST GROWTH OF OUTPUT

How has this 'miracle' been achieved? This has generally been attributed to 'micraele seeds' of the green revolution. But, as we have seen, there was no acceleration in the growth of foodgrains output on account of the green revolution. It is not so much the higher yield brought about by the 'miracle' seeds but the changing production relations in agriculture on capitalist lines that is responsible for the higher growth of surpluses despite a modest growth of overall output. New technology has no doubt given an impetus to the growth of capitalism in agriculture but this development is the result of the wider socio-economic forces working in the rural sector, such as land relations, agricultural price policy and pattern of public investment in agriculture.

Our failure to enforce ecilings on landholdings effectively and the political clout that the large farmers enjoy in our rural society provided the necessary institutional base for the growth of capitalist sector in agriculture. Secondly, there has been a marked change in the pace as well as pattern of public investment in agriculture. Public investment in the expansion of agricultural infrastructure like urigation, drainage, rural electrification, roads and credit and marketing institutions expands the base of agrieulture to the less developed regions and small and medium farmers thus enabling a large mass of peasantry to participate in the growth process. Insufficient attention to such long-term infrastructural investments and concentration on current inputs like fertilisers, and on mechanised equipment like tractors and harvest combines encourages the growth of capitalist sector in areas which are already adequately served by infrastructure. The slower the expansion of the infrastructural base to the less endowed regions, the greater the benefit the existing capitalist sector derives as it can meet the increasing share of urban demand for agricultural products. The subsidies on mechanisation and current inputs like fern lisers help the capitalist sector to grow and to generate surpluses to a l'aster pace, as the employment generation would be low. I may mention in this context that the annual subsidies on fertilisers amount to around Rs 2,000 erore now, which is almost qual to the total annual plan outlay for agriculture of both the central and states' sectors put together. In the field of basic infrastructure like irrigation, however, as many as 500 major and medium irrigation projects are lingering at various stages of construction for want of adequate investments. Consequently, increase in irrigated area has slowed down considerably in the recent period.

These factors have led to a fast growth of foodgrains output in the developed regions and in the large farm sector in different parts of the country where the employment generation has been slow. Since the con-

sumption of foodgrains is already at a high level in such sectors, a considerably larger proportion of increments in foodgrains output is being marketed through public channels. This strategy has thus helped to achieve 'seli-sufficiency' in foodgrains and meet the requirements in urban areas including the organised sector even in severe drought years. As a result of faster increase in marketed surpluses of foodgrains, the terms of trade have turned against agriculture, especially since the mid 1970s, even though income terms of trade are still quite favourable to the developed agricultural regions because of increase in productivity. However, the deterioration in terms of trade adversely affects the less developed regions and small larmers who have not experienced a signiticant increase in productivity. In this sense, the terms of trade are to be viewed not merely as between agricultural and nonagricultural sectors but also between the capitalist and the non-capitalist sectors within agriculture itself. For, the capitalist sector by benefiting, in the first instance, from the non-expansion of infrastructural base to the new areas and by generating surpluses shifts the burden to the rest of the agricultural sector not only in terms of low employment generation and low consumption for the poor but also in the form of lower relative prices of agricultural produce even to those segments who have not been able to experience gains in productivity.

Thus while the existing strategy has enabled us to accumulate stocks of foodgrains sufficient to meet the internal demand without recourse to imports, this 'self-sufficiency' has been achieved at the cost of other equally important objectives of agricultural development, viz, imparting stability to output growth, eradication of rural poverty and reduction in regional disparities.

#### SUPERIORITY OF SMALL FARM SECTOR

A narrow agricultural base has a built-in tendency to increase instability whereas the widening of the base for agricultural growth is likely to impart greater stability to the growth of output. Expansion of irrigation facilitates, for example, results in a reduction in output fluctuations. Further, irrigation facilities an increase in cropping intensity through multiple cropping which contributes not only to evening out the output stream during any year but also to reducing annual fluctuations in output. This is because output from the tabi crop is less lluctuating than the kharif output. This arises from the greater dependence of kharif output on weather. Therefore, irrigation and multiple cropping in so far as they result in the expansion of rabi cultivation lend stability to output growth.

In a large country like ours, agro-climatic conditions differ significantly between different regions. Regional diversification in output growth lends stability to overall output at the national level because of compensatory movements in output between different regions. Concentration of output growth in the limited pockets, therefore, has a built-in tendency to increase instability in output at the national level.

Small and marginal farmers are found to irrigate a larger proportion of their cultivated area than large farmers. On account of this, they are able to achieve higher eropping intensity through greater labour absorption. All these facts clearly suggest that public investment to provide infrastructure like irrigation, rural electrification and marketing and credit institutions to benefit wider areas including small and marginal farms will contribute to growth with equity and stability. The available evidence shows that such an expansion of infrastructure will also lead to greater efficiency in the use of inputs like fertilisers and labour.

There is thus no conflict among the objectives of growth, equity, stability and efficiency at the present stage of agricultural development in India. From the social point of view, the small and marginal farm sector or the peasant sector is superior to the capitalist sector as it contributes to greater stability as well as efficiency in resource-use, apart from generating greater employment and income for the tural poor

#### ENVIRONMENTAL DEGRADATION

Environmental degradation on account of deforestation has adversely affected agriculture by lowering productivity of land and by making yields inore vulnerable or sensitive to variations in rainfall. More directly, the degradation of village common lands or common property resources has affected the livelihood of the rural poor, who depend substantially on such resources for fuel wood, fodder, etc.

Population pressure is generally considered to be the main cause for ecological degradation. There is no doubt that population pressure is one of the factors behind extension of cultivation to marginal lands, encroacliment on forest lands, overuse of common grazing lands, etc. But it would be simplistic to attribute ecological degradation to population growth alone. It is not generally recognised that the demand for forest products from high income groups, both from the rural and urban areas, has been a major cause of depletion of area under forests. There are clearly more fundamental processes at work induced by the pattern of development that accentuated the ecological problem.

The unequal distribution of land and insufficient absorption of labour in the process of agricultural growth has driven down the cost of labour and raised their demand for alternative sources of livelihood. This has rendered activities such as tree cutting and its transportation cheap for the contractors. The regions with the greatest ecological stress are generally those where labour-use per hectare in crop production has been

minimal and the wage rates low. The private cost of felling of trees is therefore low in relation to the private return, but the cost to the society and to future generations from degradation is high. The breakdown of the traditional management practices and the failure of new systems to fill in the vacuum has also contributed to the degradation of environment Contrary to the general belief, the encroachment on forest land and their conversion for cultivation of field crops is resorted to not just by poor peasants and landless labour, but also by middle and rich farmers. Indeed, some of the field studies show that the bulk of the encroachment on forest lands was done by the middle and rich peasants.

## FORESTRY PROGRAMMES NOT FOR THE POOR

Government programmes such as farm forestry and social forestry have so far resulted more in coping with commercial demand for wood than in providing livelihoods for the poor. It is not surprising that large larmers quickly took to farm forestry, because of higher profitability, lower labour cost and very little management problems relative to field crops. Some people even argue for exemption of commercial forestry from the operation of land ceilings laws so that large scale allotment of waste lands could be made to industrial houses with a view to meeting their demand lot taw material. The capitalist sector in agriculture threatens to extend itself to forestry also. But it is bound to destroy the livelihoods of the people because commercial forestry is highly capital-intensive. Besides, commercial forestry, undertaken whether by large farmers or industrial houses, cannot meet the requirements of eco-development for which considerations of location and the types of trees to be planted are extremely important. Therefore, programmes which are merely aimed at providing raw material for industries have a danger of bypassing the rural poor forcing them into further exploitation of whatever forest land that still remains. Programmes for ecological restoration, to be successful, have to be integrated with programmes to generate employment and meome for the rural poor through their willing participation. Indeed, the programmes for ecological regeneration offer a significant opportunity for augmenting the incomes of the rural poor, who have not been able to benefit much from land reforms or from the green revolution.

Before I take up some of the issues of inmediate concern such as rural employment and poverty alleviation programmes and public distribution of foodgrains at subsidised rates, I would like to summarise the above discussion on agricultural development strategy and policy as follows:

After the introduction of new technology, agricultural output has become more sensitive to rainfall variations, and droughts are

becoming increasingly severe. Production instability and droughts bear harshly on the poor on account of sudden decline in farm employment and income and the scarcities of drinking water, fuel-wood and water. Agricultural instability and droughts are not isolated events but arise from the particular strategy of agricultural development followed, especially in the post-green revolution period. In this period, institutional changes like land reforms and strengthening of the peasant sector received low priority. The expansion of infrastructure like irrigation in the less developed regions was inadequate; and there was much greater concentration on individual crop-oriented technologies taken in isolation than on the evolution of cropping systems to suite the varying agroclimatic conditions and resource-deficient sectors like the small farms.

On the other hand, there has been a concentration of inputs in the developed regions and large farms through heavy input subsidies. This strategy has led to the development of capitalist agriculture in limited segments in the country generating marketed simpluses on a relatively stable footing sufficient to meet the inban demand, while instability in agricultural output in the country as a whole increased causing hardships to the rural poor in the form of very low employment generation as well as sudden and sharp decline in employment on account of droughts.

Ecological degradation caused by commercial felling as well as by the pressures for subsistence from the poor has aggravated the plight of the rural poor. The solution lies in reversing the agricultural strategy by making it more broad based through effective implementation of land reforms, infrastructural development in the less developed regions and technology and input policies to strengthen the peasant sector.

## IMPORTANCE OF EMPTOYMENT PROGRAMMES

While we have to work for basic changes in agricultural strategy on the above lines, we cannot afford to remain indifferent to the hardships experienced by the rural poor on account of insufficient employment and fluctuation in employment due to droughts. We have to work simultaneously on both the fronts, viz, to avoid instability and droughts as far as possible by altering agrarian strategy and to ensure adequate employment and consumption for the rural poor so long as the existing policies and droughts persist.

In socialist economies where the means of production like land are socially owned and equitably allocated to the working people with a view to ensuring productive employment to everyone, the gains in income from the normal developmental process are automatically distributed on an equitable basis. In such societies, therefore, there is no need for special or crash employment programmes to generate incomes for the poor.

If should be borne in mind, however, that even in the socialist economies, commodities of essential consumption like food items are heavily subsidised and made available to everyone through the public distribution system. Indeed, in some of these economies, food prices have been frozen at the level obtaining 25 to 30 years ago while the rest of the prices have been allowed to rise.

In a mixed economy like ours with inequalities in the distribution of income and wealth, developmental processes have a strong tendency to bypass those who have no assets or own very little assets, because of the increasing use of eapital-intensive and skill-intensive technologies. Unemployment and poverty arc, therefore, inevitable accompaniments of such growth processes. But we are a democratic polity with adult franchise and the poor have a significant voice to shape the course of events in their favour even in a mixed economy like ours. In my view, the various poverty alleviation programmes of the government such as IRDP, NREP, RLEGP, etc, represent the response of the democratic system to the growing pressures from the poor and the deprived. There is, therefore, a need to adopt a positive approach towards these programmes and to strive for their effective implementation.

I referred in the beginning to the significant decline in rural employment this year on account of drought and the inadequacy of the existing rural employment programmes to make up the shortfall. I had an oceasion to visit recently some areas in Rajasthan and Gnjarat which are worst affected by the current drought. Inadequate provision of work, non-payment of musimum wages even an government works, delays in payment of wages, failure to take un productive works and non-availability of adequate stocks of foodgrains for public distribution stand out as major problems requiring immediate attention. I am sure, the problems would be similar in other parts of the country also, although the severity of each one of them may differ from region to region. It would be difficult to enforce payment of minimum wages by the private employers when the government itself chooses to exempt various categories of labour from the purview of legislation for payment of minimum wages. Besides, nonpayment of minimum wages on government works forces even the old and the infirm and the children to work for protecting their minimum consumption during droughts.

Despite the recurrence of droughts and the potential availability of productive works such as minor irrigation works, water harvesting structures, etc, which provide protection against droughts and create employment opportunities on a sustained basis, there is a tendency to select works purely on an ad hoc basis without any regard for creating productive assets for drought-proofing. It should be possible to do some expert work for each of the drought-prone areas in the country towards preparation of

a shelf of productive projects which are kept ready for execution in periods of drought.

#### FAILURE OF PUBLIC DISTRIBUTION SYSTEM

Despite the accumulation of large stocks of foodgrains with the government from the succession of good harvests, we are not able to supply minimum quantities of foodgrains to those in greatest need in rural areas, particularly in periods of drought. In fact, we do not even have a rural-urban break-up of quantities of foodgrains distributed. Owing to lack of purchasing power and the nonavailability of sufficient quantities of foodgrains through the public distribution system, the poorer sections in many areas of the country are forced to borrow for consumption from private money-lenders at exorbitant rates of interest with all the consequences for alienation of their assets and even bondage.

A basic reason for our failure to meet the requirements of the poor despite rising subsidy on foodgrains is the existing practice of providing foodgrains at subsidised rates to almost everyone regardless of the meome level. It has been estimated that with the same amount of total food subsidy as we are incurring at present, we can cover the entire population below the poverty line in the country through the public distribution system, with enhanced rations per head. Under the existing practice of providing subsidised grain to everyone, we cannot even be certain that the poor are henefiting on balance because they still have to buy large quantities of foodgrains in the free market at higher prices. In Andhra Pradesh, for example, nearly 80 per cent of the population is covered by the distribution of foodgrains at subsidised rates. If this benefit is restricted to the population below the poverty line, its coverage can be halved and there can be considerable saving on subsidy even after raising the ration for the genuinely poor population.

At present the responsibility for the implementation of various employment and poverty alleviation programmes and the public distribution of foodgrains rests with the bureaucracy. The participation of peoples' representatives, whether elected bodies, political activists or voluntary institutions, is extremely limited considering the scale on which these programmes are being undertaken. Popular participation at the local level is essential for ensuring the right selection of activities and for mobilisation of the poor to fight the vested interests so as to minimise leakages of funds. Programmes dealing with millions of poor at the grassroots level cannot be left to the bureaucracy alone. Here is a challenging area for the peoples' movement dealing with issues of immediate relief for them; a movement which can raise their consciousness and bargaining power and prepare them for the bigger movement for socio-economic transformation.

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# BRPC BOOKS

#### BETRAYAL OF RURAL INDIA

#### BHANU PRATAP SINGH

Former Union Minister of State for Agriculture

India has the potential of becoming one of the super Agri-powers of the world, but it continues even today as a margical case in food-self-sufficiency. The green Revolution which provided a short breathing space to Indian Planners, has withered away due to capital starvation of the Farm Sector.

The non-fulfilment of the promises guaranteed in the Constitution amounts to Betrayal of Rural India. The book aims at arousing the conscience of our policy-makers.

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# Technological and Institutional Alternatives in Asian Rice Irrigation

James K Boyce

Irrigation plays a central role in increasing land productivity in Asian rice agriculture, but the page and character of irrigation development in the region have varied greatly. This essay reviews five sets of determinants of these variations: population pressure, geography, agrarian structure, cultural factors, and the role of the state.

Rice irrigation in Asia often requires action above the level of the individual farm, and societies vary considerably in the success with which they have resolved the attendant problems of co-operation and conflict. A comparative analysis underscores the limitations of technocratic solutions to these problems, and points to the potential merits of strategies based upon democratisation of control over water resources.

#### I Introduction

ASIAN rice cultivation supports the highest agricultural population densities in the world. One reason for the strong positive correlation between population density and rice cultivation is that, compared with other cereals, rice is more eapable of sustaining constant land productivity without the use of manures or fertilisers. As Masefield observes, "There are rice fields in Asia which have probably been continuously under the crop for centuries without any conscious input of plant nutrients by the cultivators, but which can still be relied upon, provided that water is available, to produce a steady half tonne of paddy per acre." As the extensive margin of cultivation is reached, however, increasing demographic pressure generates a need for rising land productivity if per capita output is to be sustained. Given diminishing marginal labour productivity, this requires the use of additional inputs, or technological change, or both.

Irrigation plays a key role in increases in land productivity in Asian rice agriculture. It is highly complementary with other inputs, including fertiliser and fertiliserresponsive rice varieties; and with its distinctive requirements for prior investment, both in fixed capital and in the creation of institutional arrangements for water use by a number of cultivators, it acts as what Ishikawa (1967) terms the 'leading input', or limiting factor in the intensification of rice production. The development of Asian rice irrigation has been very uneven, with much higher levels of irrigation in some countries and regions than in others, and this has had far-reaching implications for human wellbeing. The character of irrigation development also varies in a number of important technological and institutional dimensions, including water source and power source; the capital-labour ratio in construction, maintenance, and op ration; scale; the institutional arrangements governing water allocation; and the degree of farmer control.

This essay examines the variations in the pace and direction of irrigation development in Asian rice agriculture, and explores the reasons for these variations. The geo-

graphical scope is the Indian subcontinent, southeast Asia, and east Asia. Together, the countries under consideration account for 58 per cent of the world's irrigated acreage.2 They are also the home of of 71 per cent of the world's rural population, and of 84 per cent of those living in what Ahluwalia, Carter, and Chenery (1979) define as 'absolute poverty'. The aim is not to provide a comprehensive account of ricc irrigation in this vast terrain, but rather to address a number of crucial theoreteal and practical issues within a comparative framework.4 Section 2 briefly summarises evidence of irrigation's critical role in the growth of rice production in Asia. Section 3 documents the uneven pace of irrigation development in the region. Section 4 summarises some differences among alternative irrigation strategies, including socioeconomic features as well as the usual engineering and hydrological characteristics. Finally, Section 5 investigates the forces which determine the pace and direction of irrigation development. Five sets of determinants are considered in turn: (1) population pressure, (2) geography, (3) agrarian structure, (4) cultural factors, and (5) the role of the state. The conclusions are summarised in Section 6.

#### IT

#### Water Control as Leading Input in Asian Rice Agriculture

lu his 1967 book Economic Development in Asian Perspective. Shigern Ishikawa argued that irrigation acts as the leading input, or limiting factor in the growth of land productivity, in much of Asian rice agriculture. He distinguished four successive stages of rice cultivation. In the first stage, land productivity is low and subject to sharp fluctuations owing to variable rainfall. In the second stage harvest fluctuations are stabilised by the development of supplementary irrigation. In the third stage, irrigation improvements make possible the introduction of a second crop; land productivity now rises through an increase in cropping intensity. In the final stage, a complementary set of inputs-irrigation, fertiliser, and highly fertiliser-responsive varieties-enable cultivators to achieve much higher yields per acre. Irrigation development plays the key role in the transitions between these stages; only when the final stage is reached does irrigation surrender its leading role to a 'combined leading input' of fertiliser, seeds, and improved techniques.

Ishikawa's sehematic account must be adapted to fit the specific environmental and historical circumstances of individual Asian countries. In reviewing Japan's agricultural history, for example, Ishikawa concludes that irrigation's first role, that of compensating for deficient rainfall, was accomplished during the Tokugawa period (1603-1867), so that by the tune of the Meiji Restoration, Japan had attained average yields of 18 quintals of clean rice per hectare-a mark yet to be achieved in much of south and southeast Asia. 5 Subsequent improvements in drainage and water control made possible the introduction of high-yielding rice varieties and improved cultivation techniques. In the years leading up to the Second World War, water control improvements and varietal breeding alternately posed bottlenecks to further yield increases. In the postwar period, Japan reached the final stage in which fertiliser, seeds, and improved techniques play the leading role.

In Japan, irrigation did not play the role ' of allowing the introduction of an extra crop, since the eountry's climate permits rice cultivation only in the summer months. In much of south and southeast Asia, by contrast, rice can be grown throughout the year.6 For example, in Bangladesh and West Bengal three successive crops are distinguished by the cultivators and reported in government statistics. In such places multiple eropping is potentially of great importance. In addition, chemical fertilisers and fertiliser-responsive varieties are more readily available in south and southeast Asia today than they were in the early stages of Japan's agricultural growth, and hence follow more quickly upon water control improvements.

Data from Bangladesh and West Bengal strongly support the proposition that irrigation, or more broadly, water control, is the leading input in the region's agriculture. An inter-district analysis reveals strong complementarity among water control, fertiliser use, and the spread of high-yielding rice varieties (HYV's). This complementaritywhich is to be expected on agronomic grounds7-implies that each input has its full effect on output only in the presence of the other inputs. Water control differs from fertiliser and seeds, however, in two crucial respects: first, it usually requires fixed investment prior to the current production period, and second, it often cannot be secured by individuals acting on ther own, but rather requires joint action by cultivators who till adjacent plots. These distinctive attributes of prior investment and indivisibility make water control the limiting technological tactor in the adoption of the complementary inputs. An analysis of the relationship between water control and agricultural performance reveals that districts with more irrigation and (in the case of Bangladesh) less deep flooding experienced more rapid agricultural growth and had higher yields per unit gross cropped area. Statistical analysis indicates that water control variables explain approximately 80 per cent of the interdistrict variation in average yields.

The varietal breeding strategies pursued by international and national agricultural research centres have teinforced the positive correlation between irrigation and agricultural performance, by emphasising technologies suited to irrigated environments. To some extent, a reorientation of research towards rainfed conditions (for example, by breeding drought resistant and quickly maturing tice varieties) could weaken this correlation, and as I evine (1980) observes, there may be sound equity and elficiency reasons for doing so. Nevertheless, urigation's leading role in Asian rice agriculture is likely to persist for the foresceable future.

# Uneven Development of Irrigation in Asia

The uneven development of irrigation in Asian rice agriculture is apparent from the data in Table 1. Relatively high levels of irrigation are found in the east Asian countries and in Sri Lanka and Pakistan; relatively low levels are found in Bangladesh, Thailand, the Philippines, Laos, Burma, Nepal, and Kampuchea. These data are imperfect, however, for several reasons. First, there is the practical matter of data quality. The FAO estimates are based primarily upon the official statistics of the various countries, the reliability of which is variable. Official estimates of irrigated acreage in Bangladesh, for example, appear to be biased upwards, reflecting optimistic assessments of irrigation capacity utilisation.9 Such official optimism is by no means confined to Bangladesh, but its impact upon irrigation data may vaty from country to country. Second, there is the definitional question of whether irrigated area refers to land which receives any irrigation, however inadequate,

or only to land which receives sufficient irrigation. Ideally, one would like to have a breakdown of acreage according to its 'irrigation coefficient', the ratio of the quantity of irrigation water to total water requirement, which could range from zero to one. 10 Even then a problem would remain, since water requirements vary among lands and among crops, the cultivator's choice of which is itself partly determined by water availability. In practice, only the binary irrigated/unirrigated acreage breakdown is available, and the adequacy of water supply on land classified as 'irrigated' may vary considerably. Finally, there is the difference between gross and net irrigation estimates. The data in Table 1 represent the net irrigated area (land irrigated at some time during the year) divided by the net sown area (land cultivated at some time during the year), since these are the only figures reported by the FAO. If, alternatively, gross irrigated area were divided by gross cropped area (both of which count the same land more than once if it is multiple cropped), one would have a measure of the percentage of crops irrigated. The net and gross measures will be equal only if the irrigation intensity—that is, the number of crops irrigated per net irrigated acre per yearequals the cropping intensity. In practice these often differ, and the magnitude and direction of the divergence vary, depending primarily upon whether irrigation sources provide water throughout the year or only seasonally. These qualifications must be borne in mind when examining the data.

Table 1 also reports rice acreage as a percentage of net sown area, to indicate the relative importance of rice cultivation in the

different countries, and per hectare rice yields. The importance of rice varies considerably among the countries, ranging from 10 per cent of net sown area in Pakistan to more than 100 per cent (by virtue of multiple cropping) in Bangladesh, but in most cases it is clearly the pre-eminent crop. Rice yields per crop in 1983 ranged from less than 15 quintals per hectare (qu/ha) in Bangladesh, India, Kampuchea, Laos, Nepal, and Thailand, to more than 45 qu/ha in Japan and Korea. There is an evident relationship between yields and irrigation, as readily seen from the scattergram in Figure 1. The correlation coefficient between the two variables is 0.68; when Pakistan, in which rice is a relatively minor crop, is dropped from the set, it rises to 0.80,

Irrigation development is also uneven within countries. In India, for example, the share of net sown area irrigated in 1978-79 ranged from 10 per cent in Kerala and Maharashtra to 78 per cent in the Punjab (see Table 2). Again, there is a clear correlation between irrigation and rice yields, with Punjab and Haryana leading in both respects.<sup>11</sup>

The unevenness of irrigation development between and within Asian ince-producing countries may in part be attributable to differences in ultimate irrigation potentials. Climate, topography, and water availability clearly are more tavourable to irrigation in some settings than in others. To judge the relative success of irrigation development in different locations, it would be useful to have some measure of ultimate potential against which actual achievements could be weighed. Unfortunately, such data are not readily available. Estimates of water supplies for

TABLE 1: IRRIGATION AND RICE PRODUCTION IN ASIA, 1983

Country	Net Irrigated Area <sup>1</sup> (Per cent net sown area)	Rice Acreage <sup>2</sup> (Per cent net yown area)	Rice Yields <sup>3</sup> (quintals/hectare)
Bangladesh	20.7	118.9	13.7
Burma	10.5	48.9	20.7
China	46.3	34.9	33.9
India	24.0	24.9	14.7
Indonesia	36.1	60.7	25.3
Japan	76.5	53 6	45.6
Kampuchea	3.1	60.5	6.5
Korea (N)	48.2	37.3	50.7
Korea (S)	58.6	60.4	49.5
Laos	13.6	77.0	10.0
Malaysia	32 7	68.6	19.1
Nepal	9.9	55.7	14.3
Pakistan	73.1	10.0	17.3
Philippines	17.8	42.0	16.5
Sri Lanka	50.6	87.0	15.9
Taiwan	60.0	52.1	27.7
Thailand	20.0	54.0	13.2
Vietnam	24.7	84.3	16.5

Notes: (I) Excluding permanent tree crops.

Sources:

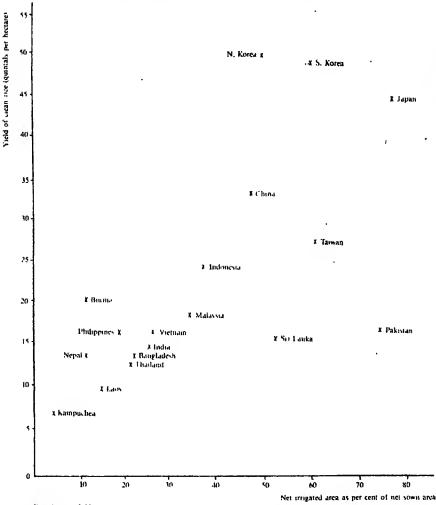
(2) Percentage may exceed 100 owing to multiple cropping.

(3) Clean rice; converted from paddy yield data by FAO conversion ratios of 0.8 for Japanese brown rice and 0.67 for white rices.

FAO Production Yearbook 1983 and FAO Production Yearbook 1984 (att data except for Taiwan).

Taiwan estimates are from Framji and Mahajan (1969) and Colombo, Johnson and Shishido (1978).

FIGURE 1: SCATTERGRAM OF RICE YIELDS AGAINST PERCENTAGE NET SOWN AREA IRRIGATED, 18 ASIAN COUNTRIES, 1983



Dam Source Table 1

rate of natural recharge—leads to falling water tables and cannot be sustained indefinitely. Irrigation experience around the world demonstrates that these long-run ecological constraints are often not well understood or taken into account in initial plans.

Aside from the technical difficulties

individual countries remain a matter of controversy among hydrologists. For example, a joint study by the government of Bangladesh, the FAO and the United Nations Development Programmie concluded in 1977 that groundwater supplies in that country were "sufficient to support full development of irrigated agriculture for the entire area [excluding the coastal zones and hill areas to which surface water supplies are not readily available". 12 But a 1982 study by a British consulting firm arrived at far more conservative estimates; in northwestern Bangladesh, in the absence of intercatchment water transfers, the ultimate irrigation potential was estimated to be only 38 per cent of new sown area.13

The assessment of ultimate irrigation potentials is further complicated by uncertainties about ecological constraints. For example, canal irrigation can in some instances result in waterlogging and soil salinity, reducing agricultural productivity and ultimately making land uneultivable. In India it is estimated that at least 15 million acres of once productive land have been lost in this way. 14 Similarly, the 'mining' of ground water—extraction in excess of the

involved in assessing ultimate irrigation potential, there are economic ones. Irrigation development is costly, and at some point the marginal cost of bringing additional acreage under irrigation can be expected to rise. Any definition of 'ultimate irrigation potential' must incorporate, implicitly if not explicitly, some judgment as to the point at which the marginal benefits of further irrigation development are no longer worth the marginal costs. In the absence of any such benefit-cost criterion, the utlimate irrigation potential would always be 100 per eent: the Chinese could desalinate seawater and transport it inland to the deserts of inner Mongolia, and so on. In a world of pervasive distributional Inequities and market imperfections, however, the measurement of costs and benefits is not a straightforward task. Moreover, both costs and benefits can be expected to change over time as a result of technological change and shifts in factor and output prices.

State-level estimates of the percentage of ultimate irrigation potential attained in India are reported in the last column of Table 2. Bearing in mind the preceding cautionary remarks, these estimates cannot be regarded as definitive, but they do permit three tentative conclusions. First, there remains substantial potential for the expansion of irrigation in India. Second, the extent to which irrigation potential has been developed varies widely among states, ranging from less than 20 per cent in Assam to more than 80 per cent in Punjab and Tamil Nadu. Third, there is a clear correlation between the percentage of the net sown area irrigated and the percentage of irrigation potential realised. In other words, the variations in the share of crop land irrigated cannot be attributed solely to environmental differences in irrigation potential. The same is probably true of the inter-country differences reported in Table 1.

# IV Alternative Irrigation Strategies: Some Characteristics

Irrigation in Asian rice agriculture varies not only in its pace of development, but also in terms of various characteristics including water source, power source, capital-labour ratio, scale, institutional arrangements, and the degree of farmer control. These are discussed in turn helow.

#### (a) WATER SOURCE AND POWER SOURCE

Irrigation systems are most commonly classified in terms of the hydrological and engineering criteria of water source and power source. The two basic sources of water for irrigation are surface water and underground aquifers. Surface water can be lifted manually, for example hy dhones and swing buckets, or by animal-drawn devices, or by diesel or electric-powered pumps. (A dhone is a pivoted canoe used in the Indian subcontinent to lift water 1.2 metres.) In some cases, water distribution can be accomplished through gravity flow from rivers or reservoirs, and no lifting is necessary. A single surface water irrigation system may combine several power sources; for example, water may be drawn from gravity-fed canals to field channels by means of a diesel pump, and then manually lifted by cultivators to irrigate fields lying above the channels.

In the case of groundwater, there is some scope for manual lifting of water from open dug wells, and for animal-powered techniques. In addition, a variety of manually-operated pumps have been developed for use with tubewells, which penetrate that aquifer by means of a pipe sunk in a bored hole. In most cases, however, groundwater irrigation today relies on diesel or electric-powered tubewells. These are frequently classifed as

'deep' or 'shallow', according to not only their depth, which depends upon aquifer conditions, but, also their capacity, which depends upon their diameter and pump size.

#### (b) CAPITAL-LABOUR RATIO

Irrigation techniques can also be classified in terms of their relative factor intensity, that is, the ratio of labour to capital used in their construction, operation, and maintenance. These ratios vary within as well as between the various techniques mentioned above. There is a clear difference, for example, not only between the operational labour reauirements of hand tubewells and dieselpowered deep tubewells, but also between labour-intensive and capital-intensive techniques for deep tubewell construction. Similarly, in the case of canal irrigation projects the labour-capital ratio in the construction phase can vary greatly, depending above all upon the earth-moving techniques chosen. The share of labour can never reach 100 per cent, but there is a tremendous range of variation between the shovel-and-head basket method and the use of bullodozers. 15

When economists speak of the 'direction' of technological change, they are usually referring to this dimension. A technological change is defined as labour-saving if it decreases the average labour-capital tatto, capital-saving if it increases the ratio, and neutral if it leaves the ratio unchanged. Non-neutral technological change is sometimes described as being 'biased' in a labour-saving or capital-saving direction. This is a rather curious use of the term 'bias', in that non-hiasedness is defined in terms of the status quo at any given moment, despite the fact that this status quo in croporates the effects of any previous biases.

An alternative definition would start from an explicitly normative specification of the optimal labour-capital ratio; and define bias as a departure from it. Such a norm need not coincide with the prevailing capitallabour ratio, either in the economy as a whole or in the agricultural sector. Rather, it would express judgments as to the appropriate shadow prices of labour and capital which would depend, among other things, upon the priority given to employ ment generation as a social goal. For present purposes, however, it need only be observed that the labour-capital ratio of it rigation techniques has important implications for their economic viability, for the distribution of the benefits of irrigation development among owners of labour and capital, and for the extent to which irrigation development can be accomplished by relying upon local resources.

#### (c) SCALL

Irrigation techniques can also be classifed according to their scale, the range of which is enormous. At one extreme are individual techniques irrigating a fraction of an acre manually-operated tubewells, or traditional lift ungation from dug wells or surface water bodies. At the other are largescale canal prigation systems serving tens of thousands of acres. In between are small and medium-size reservoirs ('tanks' in south Asian parlance) and river diversion works, and low lift pumps and tubewells capable of irrigating 10 to 200 acres, depending upon soil characteristics, conveyance losses, evapotranspiration rates and the crops grown, as well as upon the volume of water produced

The scale of an irrigation technique,

TABLE 2: IRRIGATION AND RICE PRODUCTION IN INDIA, 1978-79

State N	Net Irrigated Area (Per cent net sown area)	Rice Acreage (Per cent net sown area)	Rice Yield (qu/ha)	Per Cent of 'Ultimate Irrigation Potential' Realised, 1982-83
India	26.6	28.1	13.4	55.8
Andhra Pradesh	32.2	34.6	18 6	57.6
Assam	21.4	83.7	9.7	18.5
Bihar	34.7	65.5	99	44.4
Gujarat	18.0	4.8	11.6	54.2
Haryana	52.5	12.7	26.8	69.6
Himachal Pradesh	15.9	17. <b>7</b>	12.5	33.3
Jammu and Kashi		36.9	20.4	62.5
Karnataka	13.7	11.1	20.1	5(1,0)
Kerala	10.3	36.6	15.4	42.9
Madhya Pradesh	12.3	25.1	7.4	34.3
Maharashtra	10.4	8.2	147	45.2
Orissa	18.8	71.7	10.1	40.7
Punjab	78.1	25.2	29 2	83.3
Rajasthan	18.7	1.4	11.1	69.2
Tamil Nadu	44.1	41.6	22.5	82.1
Uttar Pradesh	50.9	29.2	11.6	68.9
West Bengal	26.9	83.6	13.6	50.8

Sources: Government of India, Ministry of Planning, Central Statistical Organisation, Statistical Abstract India 1979 and Statistical Abstract India 1982.

Estimates of percentage of ultimate irrigation potential realised are calculated from data in Tata Services, Statistical Outline of India, 1984, Table 51.

coupled with the operational structure of landholdings, determines how many cultivators must jointly use the water for the unit to operate at its full capacity. The agrarian structure of Asian rice-producing countries is typically characterised by tanly small and fragmented landholdings In Bangladesh, for example, the average farm size is approximately two acres, and consists of half a dozen non configuous plots. As a result, the efficient use of a deep tubewell with a capacity to irrigate 80 acres typically would involve more than one limited cultivators. Hence Asian rice urigation very often regures an instrumental framework within which co-operation among individuals is achieved, and conflicts among them resolved, in both the construction of migation facilities and their day-to-day operation and maintenance. The social difficulties of achieving joint water use among many irrigators may exceed the technical difficulties of constructing large-scale system, a fact which has become increasingly recognised in recent years in large canal irrigation schems. For some purposes, therefore, the number of cultivators involved may be a more meaningful measure of scale than the number of acres irrigated

#### (d) INSTITUTIONAL ARRANGEMENTS

A classification of irrigation systems in terms of institutional characteristics has been advanced by Chambers (1980), who distinguishes five types of irrigation organisations based upon different processes for the allocation of water. The first is direct appropriation, in which the user acquires the water directly from its source. The second is acquisition through contract, in which the user acquires water through an exchange relationship with a supplier. The third is community allocation, in which a communal source of water is allocated among a community of users. The fourth is bureaucrain allocation, in which water is allocated by a bureaucratic agency (governmental or parastatal) directly to individual users. The fifth is bureaucratic-communal allocation a hybrid type in which water is first allocated by a bureaucratic agency to communities of users, and then by the communities to their individual members.

Chambers notes that in practice the lines between these types are often fuzzy, but the possibility of boundary disputes does not detract from the importance of the distinctions upon which his classification is based. There are, of course, further distinctions to be drawn within each of these organisational forms. For example, in the case of 'acquisition through contract; there are a variety of possible payment systems, including sales of water on a volumetric or time basis, fixedrate payments on an acreage basis, or 'sharecropping' with water in which the water supplier receives a share of the crop. 17 Similarly, community water allocation systems include the physical division of waterflows, rotational distribution of water, with or without acreage restrictions upon individuals, and less formal methods in which water is 'not so much allocated as appropriated' by those who have the political or physical strength to do so. 18

Closely related to these water allocation methods are different institutional arrangements governing the construction and maintenance of irrigation facilities. In the case of direct appropriation, the irrigation asset is typically owned and maintained by the individual user. In the case of contractual acquisition, the water supplier typically would have installed the irrigation facility and would bear the responsibility for its maintenance, although some water supply contracts include provisions whereby the buyer pays certain maintenance costs. Community systems employ a variety of procedures, many of which are designed to ensure that individual contributions to construction and maintenance costs are roughly proportional to expected benefits. For example, Chambers describes several surfacewater irrigation systems in south India which rely on communal labour for their maintenance. In one muti-village system, each village agreed to provide labour at the rate of one man for every ten acres irrigated; in another system, every family's labour obligation was proportional to its acreage; and in a third, each cultivator was obligated to clear three feet per day of the water supply channel for every acre of land irrigated. 19 In the case of bureaucratic systems, construction and maintenance are typically financed by the government and labour is hired on a wage basis, although China's labour accumulation' projects provide an example of non-wage labour mobilisation.20 In the former ease, the construction and maintenance arrangements may differ little from those which would be employed by a private owner, while in the latter case the arrangements may be closer to those of a community irrigation system.

#### (c) CONTROL

Chambers' five-fold organisational classification points to a further dimension in which irrigation methods vary, which can be termed 'farmer-controlledness'. ?1 The economic significance of this dimension for the cultivator is evident, since greater personal control implies fewer constraints upon crop choice and upon the timing of agricultural operations, and greater certainty that water will be available in the desired amount at the desired time. This dimension also has far-reaching social and political ramifications, for control over water is inextricably linked to control over people. It is this linkage which formed the basis of Wittfogel's (1957) famous theory of 'Oriental despotism', according to which the managerial requirements of irrigation development led to the emergence of despotic, 'agro-bureaucratic' states in ancient China, India, Egypt, and Mesopotamia. Similarly, Worster (1985) has recently characterised the western United States in the present century as a 'hydraulic society' in which water development has given rise to "a coercive, monolithic, and hierarchical system, ruled by a power elite based upon the ownership of capital and expertise".<sup>22</sup>

Although the degree of farmer control is mediated by the institutional arrangements distinguished by Chambers, one cannot assume that control necessarily decreases, step by step, as one moves through the categories from direct appropriation to bureaucratic-communal allocation. Acquistion through contract, for example, does not always impart greater control to the water user than a community or bureaucratic system. The cultivator remains dependent upon the supplier, who in turn may depend upon others for fuel, spare parts, or maintenance. The contracts linking these individuals are often incomplete, and their enforcement is costly. This is illustrated by a case in Bangladesh, in which the private controllers of a deep tubewell unilaterally altered the terms of their agreement to sell water to other cultivators, at the crucial flowering stage of the rice crop, by reneging upon their commitment to provide the diesel fuel. Fuel could be obtained only with great difficulty on the black market, and only timely rains saved the water purchasers from serious losses.23 Even direct appropriation need not imply maximum farmer control given the possibility of externalities. Thus a cultivator relying upon his or her own hand tubewell or dug well could be left without water if the use of shallow or deep tubewells by neighbouring cultivators causes the water table to fall.2

The degree of farmer control is also distinct from the scale of an irrigation system, although the two are often inversely related. There is a tendency for increases in scale (in the number-of-cultivators sense) to be accompanied by a loss of farmer control for two reasons. First, larger systems typically require sophisticated technical expertise for their planning, execution, and operation, and those who possess such expertise are likely to demand, and secure, a substantial measure of control. Second, the allocation of water among individuals and communities is a source of conflict, particularly in times of water scarcity, and adjudication of these conflicts by a higher authority again entails a loss of control.25

The degree to which this tendency can be counteracted by the development of democratic irrigators' institutions is an open question, but it is clear that even large-scale systems can involve substantial local control over water allocation and infrastructure maintenance. Critics of Wittfogel have questioned the degree to which traditional Asian irrigation systems were administered by a centralised bureaucracy, arguing that community participation at the local level was in fact crucial to their success. <sup>26</sup> In this connection, some authors have drawn a distinction between 'bottom-up' and 'top-down'

approaches in large river diversion schemes. The starting point for the former is the small, local irrigation system; the larger inter-connecting network emerges only in response to the demand of local irrigators for further water supply and better water control. In this model the water users and local terminal systems are viewed as the main systems, while the interconnecting works, "in spite of all their technological complexities, gigantic sizes, and involvement of central authorities, are still no more than subsystems".27 The top-down approach inverts this outlook: irrigation plans are based solely upon engineering and financial criteria, not upon the demands of local irrigators. Terminal-level systems are seen as subsystems, and any concern with them often arises as an afterthought. In the first approach, the cultivators are the initiators of irrigation development; in the second, they are treated as its instruments.

#### V

#### Determinants of Pace and Direction of Irrigation Development

Why is irrigation more developed in some places than in others, and why do techniques with particular characteristics predominate in certain settings? These two questions are addressed jointly in this section, for their answers may be interrelated. A hypothetical example will illustrate the connection. Let us suppose that a country's topographical conditions, landholding pattern, and factor endowments imply that the direction of its irrigation development should be large-scale (in the multi-user sense) and highly labourintensive, and that at the same time other social, political, or economic factors block this type of development. The result could be a stalemate in which irrigation development is impeded either until the obstacles to multi-user, labour-intensive techniques are removed, or until different techniques emerge as a viable alternative. In other words, the forces shaping the direction of irrigation development could also help to explain its pace. Five sets of determinantspopulation pressure, geography, the agrarian structure, cultural factors, and the role of the state—will be considered below. This list of possible determinants, although by no means exhaustive, draws together a number of recurrent strands in the Asian rice irrigation literature.

#### (a) POPULATION PRESSURE

The intensification of agricultural production, of which irrigation development is one means, has often been attributed to the need to support growing numbers of people on a limited land area. Indeed, some anthropologists maintain that the advent of agriculture itself, via the domestication of plants and animals some 10,000 years ago, was a response to demographic pressure.

Thus Cohen (1977) writes that the growth of hunting and galhering populations made a new mode of subsistence necessary: 'the development of agriculture was an adjustment which human populations were forced to make in response to their own increasing numbers!28 Similarly, Ester Boserup (1965) has argued that population pressure led to shifts from slash-and-burn agriculture to settled cultivation, and led to the intensitication of cultivation even in fairly densely populated settings such as Japan and Java.29 In the same vein, Colin Clark has termed population growth "the principal motive force' behind the events which 'historians tend to describe as 'agricultural revolutions'", including the clearing of uncultivated land, the drainage of swamps, and the introduction of improved crops and manures. 30

Simon (1975) applied this logic directly to irrigation systems. His cross-sectional analysis of 48 third world countries, and of a subset of 18 Asian countries, revealed strong positive correlations between irrigation and population density, a finding he interprets as indicating that population pressure leads to higher levels of nonmonetised capital formation in the form of irrigation systems. This correlation could, also arise, at least in part, from the reverse line of causality: irrigation development could lead to higher population densities by raising life expectancies, inducing inmigration, and so on. Simon dismisses this possibility with the statement that although irrigation may affect intra-country population distribution, it would not affect population densities at the national level, 'given the reasonable assumption that the irrigation project does not affect national fertility or international migration.31 An even stronger assumption would be needed, to sustain Simon's unilinear interpretation of the correlation, namely that inter-country differences in population density are not attributable to other factors, such as differences in water endowments, which also help to explain the variations in irrigation.

The view that demographic pressure can induce agricultural intensification stands in marked contrast to the bleak Malthusian proposition that population growth follows upon, and ultimately swallows up, any gains in agricultural productivity. The former holds out the possibility of rising per capita incomes; the latter predicts that the mass of humanity will inevitably subsist in abject poverty, with their numbers held in check only by disease, war, or starvation. The history of the West amply demonstrates the twin fallacies of the Malthusian logicthe underestimation of the potential for technological change, and the neglect of the possibility of a 'demographic transition' to low fertility rates, Yet Malthusianism remains a major theme in contemporary discussions of the third world, and many writers have questioned the applicability of the Boserup thesis in the latter context.

Indeed, Boser up herself remarked that the necessary investments for agricultural growth might not be forthcoming in 'densely peopled communities if rates of population growth are high.' Some scholars have gone further, and argued that in such a setting, population growth could in fact adversely affect agricultural growth, in absolute as well as per capita terms, by leading to lower savings rates, environmental degradation, and inel'ficient agrarian structures.

There is no reason to expect that the direction or magintude of the effects of population pressure upon agricultural growth will be everywhere the same. Empirical studies can shed light, however, upon the relative strength of the predicted positive and negative effects in specific historical and environmental settings. A district-level analysis of Bangladesh and West Bengal reveals that in world's most densely populated agricultural region -- the Bengal delta -- positive inducement effects from population growth are not entirely absent. Districts which experienced more rapid rural population growth in the liest hall of the present century subsequently have experienced more rapid agricultural growth. 11 Nevertheless, per capita agricultural output in Bangladesh and West Bengal has declined since 1950, and in this sense, the positive effects of population pressure were madequate. Population pressure may well have played an important role in the development of irrigation in many Asian settings, but the low level of irrigation in Bangladesh today, where demographic pressures are exceptionally intense, makes it clear that population pressure alone is not sufficient to ensure irrigation development.

The theory of induced innovation predicts that population growth will affect the direction as well as the pace of irrigation development: a rise in the ratio of labour to land and capital will lead to labour-using technological change. In the l'irst major empirical application of this theory, Hayami and Ruttan (1971) found that in the 19th century, Japan, with relatively abundant labour and scarce land, experienced land saving, labour-using technological change, whereas the US, with relatively scarce labour and abundant land, experienced labour-saving technological change. The Japanese innovations were largely bio-chemical, involving new varieties, l'ertilisers, line planting of paddy, and so on, while in the United States the innovations were primarily mechanical.

Prices play a key role in induced innovation theory, for it is shifts in the relative prices of labour and other inputs which stimulate a search for "new methods of production which will use more of the now cheaper factor and less of the expensive one"? The theory runs into difficulties, however, when different producers face different sets of factor prices. In much of rural Asia, larger landowners face lower prices for land and capital relative to labour than do smaller landowners. This reflects differen-

tial access to capital markets and to government subsidies, differences between hired and family labour, and differences in the costs of supervising hired labourers. As a result, agricultural techniques are often found to vary systematically across farm size classes, with smaller farms using relatively more labour and less capital per acre.38 For this reason, Griffin (1974) distinguishes between 'landlord-biased' and 'peasant-biased' technical change; the former refers to techniques which can be profitably adopted only by cultivators who face relatively low prices for capital and material inputs, while the latter refers to techniques which are profitable only for those who face a relatively low price of labons. In such a situation the direction of technological change, rather than being dictated by the relative factor endowments of the economy as a whole, will be subject to different demands from different classes. The balance of power among rural classes can thus be expected to influence the degree to which irrigation development proceeds along a labourintensive or capital-intensive path.

Population pressure may also influence the institutional arrangements, scale, and farmer-controlledness of irrigation development Iwo opposing influences can be hypothesised On the one hand, larger populations increase the difficulty of collective action. As Olson (1965) noted, the larger the number of people who benefit from a public good, the smaller the share of the gains that accrues to any one individual, and the higher the transactions costs involved in its provision. This makes the 'free rider' problem -- whereby individuals seek to reap the benefits of a collective good without sharing in its costs-more severe, and implies that as the number of individuals increases, the supply of collective action decreases. A small-scale river diversion project, for example, will be easier to organise if 50 households are involved than if 500 are involved. On the other hand, a growing population increases the demand for food and hence for irrigation, and this in turn increases the need for institutional arrangements to achieve joint use of water resources. The net effect of population pressure upon the extent of collective action in irrigation will depend upon the relative strength of these opposing 'supply' and 'demand' effects, and upon the ease with which urigation can be supplied by alternative private or bureaucratic means.

#### (b) GEOGRAPHY

Geographical factors—topography, hydrology, rainfall, and temperature—constitute a second set of determinants of the pace and direction of irrigation development. These factors affect both the need and the possibilities for irrigation, that is, both demand and supply. On the demand side, however, one must be wary of the mechanistic assumption that areas with

ltigher rainfall and lower evapotranspiration losses always have less need for irrigation. Once variations in population density are taken into account this simple inverse relationship breaks down. The Pearl River delta in China and the Bengal delta in south Asia, for example, receive far more rainfall than the deserts of Xinjiang or Rajasthan, yet when their very different population densities are taken into account, it is by no means clear that the demand for irrigation is greater in the more arid settings.

Certain geographical effects upon the possibilities for irrigation development are quite obvious. Differences in the volume of river flows, for example, clearly affect the potential for surface water irrigation. Gentle slopes are more conducive to river diversion irrigation than either very flat or very steep terrain. Where river flows are highly seasonal, the construction of ponds, tanks, and reservoirs to impound water for dry scason use will assume greater importance, and this will increase irrigation costs. Similarly, water table depths and recharge rates directly affect the possibilities for groundwater irrigation.

In discussing the effect of topography upon irrigation development, Hsich and Ruttan (1967) draw a basic distinction between mountainous and deltaic regions. They argue that the short river valleys and narrow coastal plains of Japan and Taiwan "lent themselves to locally organised, small-scale, labour intensive irrigation and drainage works", whereas the broad river valleys and plains of southeast Asia require large national systems, the construction of which "lends itself to much more capital-intensive patterns of investment". 38 Since the latter impose greater organisational and investment requirements, these topographical dilferences could help to explain variations in the pace as well as the direction of irrigation development. A similar argument is advanced by Hayami (1981), who contrasts the possibilities for local collective action in the hilly terrain of Japan and Java to the impracticability of such action in the Chao Phraya River delta of central Thailand.

The links between topography and the pace and direction of irrigation development may be less straightforward than these authors suggest. First, there is no necessary connection between scale and capital intensity. Asian rice irrigation provides examples both of large-scale, labour-intensive irrigation projects and of small-scale, capitalintensive ones. Second, even in flat deltaic regions there is considerable potential for small-scale irrigation works, notably in the construction of ponds and the use of groundwater. Finally, the large ancient irrigation systems of China and Indus demonstrate that scale alone does not pose an insuperable obstacle to water development.

While geographical factors undoubtedly play a major role in shaping the hydrological and engineering features of irrigation systems, their role in determining the pace

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and direction of irrigation development thus cannot be regarded as decisive. Japan and Java are both mountainous, yet local institutions for water control have developed more successfully in the former. China's Pearl River delta and the Ganges-Brahmaputra delta of Bangladesh share of similar topography and climate, yet irrigation is more extensively developed in the former. Clearly, there are other factors at work which affect the ability of a society to modify its physical environments.

#### (c) AGRARIAN STRUCTURE

Asian rice agriculture provides little support for the belief, grounded in some interpretations of European and North American experience, that large-scale farming is inherently more efficient and dynamic than small-scale agriculture. As Bray (1983) observes, the historical trend in Asian rice agriculture has been towards smaller and smaller production units. In some cases, such as late nineteenth-century China and contemporary Java, this trend has been associated with a stagnant agriculture and deepening rural impoverishment, but in others, such as medieval China and Tokugawa Japan, holding size reductions were accompanied by 'spectacular increases in agricultural productivity', 39

Much of the literature concerning the intpact of agrarian structure upon agricultural productivity in Asian rice-producing countries has focused upon inter-l'arm differences. In many cases, researchers have found an inverse relationship between farm size and land productivity; that is, smaller farms often have higher output per aere than large ones.40 Differences in irrigation sometimes contribute to the size-productivity relationship. For example, Rao (1966) found an inverse relationship between farm size and irrigation in India in the 1950s. Given the high labour requirements of wet-rice agriculture and traditional irrigation techniques, these findings can be attributed, at least in part, to lower labour and supervision costs on smaller farms-a powerful argument in their l'avour.41

More recently, however, the spread of capital-intensive 'modern' irrigation technologies, such as shallow and deep tubewells and low-lift pumps, has led in some places to the erosion or reversal of the inverse relations between farm size on the one hand and irrigation and land productivity on the other. 42 Larger cultivators frequently obtain greater access to these new technologies for three reasons. First, if the allocation is left to the market, the larger cultivators are better able to afford the substantial outlays required. Second, if irrigation equipment (or credit to buy it) is rationed or subsidised by the government. the larger cultivators often receive preferential treatment owing to their political leverage. Finally, larger cultivators are better able to utilise such irrigation techniques factor is significant only insofar as institutional mechanisms for joint water use are imperfect, entailing greater costs or risks than individual use. Both a priori reasoning and practical experience suggest that this is so.

Inter-regional differences in the degree of sub-division (the splitting of an agricultural holding into a number of smaller holdings) and fragmentation (the existence of a number of non-contiguous plots within a single holding) may thus affect the spred of private irrigation techniques. Dhawan (1977, 1982) has calculated that the minimum farm size at which a shallow tubewell becomes profitable on an individual holding in northern India increases steadily as one moves eastwards across the Gangetic plain, primarily owing to differences in fragmentation and interest rates. At the same time, the average holding size declines from west to east. The combined effect is a far greater need for institutional mechanisms for cooperative tubewell use in the east than in the west, and Dhawan suggests that this helps to explain why tubewell irrigation in West Bengal and Bihar is lagging far behind that in Punjab and Haryana.

Despite the fact that Asian rice irrigation very often involves joint water use by a number of cultivators, relatively little attention has been devoted to the impact of agrarian structure upon collective action in irrigation. Both sub-division and fragmentation increase the number of individuals involved in the irrigation of a given acreage, and as noted above, this will, ceteris paribus, increase the difficulty to collective action. But aside from this simple effect upon the number of individuals involved, the agrarian structure will also, and perhaps more importantly, affect the relationships among these individuals. In particular, it can be hypothesised that the degree of equality of the agrarian structure, as measured, for example, by the Gini coefficient of land ownership distribution,43 will affect the likelihood of collective action. Plausible arguments could be advanced in either direction, for both co-operation and dictatorship provide possible solutions to public good problems. It could be argued that greater equality facilitates collective action, since it reduces the scope for malfeasance by a powerful minority who might otherwise be able to pursue their self-interest at the expense of the community as a whole. Or it could be argued that inequality is conducive to collective action, in that if fosters the emergence of strong leaders whose authority helps to initiate group action and prevent free riding. Both points of view have been expressed in the Asian irrigation literature.

substantial outlays required. Second, if irrigation equipment (or credit to buy it) is rationed or subsidised by the government, the larger cultivators often receive preferential treatment owing to their political leverage. Finally, larger cultivators are better able to utilise such irrigation techniques to capacity on their own holdings. The last

"It has often been reported that community work programmes are difficult to organise for irrigation projects that primarily benefit larger farmers and landlords". As an example, they cite research carried out in the Philippines by the International Rice Research Institute, which indicates that "participation of community members in communal irrigation projects is greater and more uniform in a village where farmers are more homogeneous in terms of tenure and farm size". 44

Several researchers in India have drawn similar conclusions. For example, a recent analysis of ten irrigation tanks in Tamil Nadu concluded:

One of the most important factors besides water scarcity which encouraged farmer cooperation in acquisition and distribution of the water was the homogeneity of farms. The smaller the variation in farm size, the better the co-operation among the farmers on tank management issues. 45

Studies of river diversion-based tank irrigation in south Bihar and eanal irrigation in Gujarat have likewise indentified equitable property relations as one determinant of successful group action.<sup>46</sup>

Many economists are uncomfortable with such conclusions. They note that an equal distribution of benefits is necessary only if we assume that costs are borne equally. If costs were distributed in proportion to benefits, then inequality would not pose a barrier to collective action. The only conflict between individual rationality and collective rationality is then the free rider problem, which arises when individuals believe they can obtain in the benefits without bearing any costs. But this arises regardless of the degree of inequality.

To understand how inequality could make the resolution of public good problems more difficult, we must probe more deeply into the conflicts between individual and collective rationality. One such conflict, frequently observed in irrigation systems, is that excessive water use by those with first access often deprives 'tail-enders' of their share. Cultivators with unrestricted aecess to water frequently find it more profitable to grow highly water-intensive crops, such as rice, than less water-intensive ones such as wheat or oilseeds. Similarly, treating the marginal eost of water as near-zero (since volumetric pricing is seldom practicable), they may use water to save labour by drowning weeds. 47 Furthermore, if the future reliability of the water supply is uncertain, they will seek to store as much water as possible in their own rice fields or ponds. Such water use is rational for the individual cultivator, yet less water-intensive cropping patterns and practices would often be more profitable from a social standpoint, expanding total irrigation coverage and maximising returns per unit water.48 This dllemma is most frequently ascribed to location-based disparities: the lands of some cultivators lie closer to the head of the system than those of others, and in the absence of countervailing pressures the former take advantage of this fact. An analogous situation can arise within any given locality, however, in the relationship between large landowners and small landowners. In Indonesia, for example, it has been reported that the "wealth and power of some rich landowners have enabled them to gain control of irrigation water to benefit themselves; as a result, they enjoy a surplus of water while others have to endure water shortages and consequent low productivity". In such, cases, the smaller landowners might be termed 'political tail-enders.

Location-based disparities would be reduced if individual landholdings were fragmented such that each cultivator has plots at the head, middle, and tail of the distribution system. Precisely this arrangement of landholdings has been reported in studies of traditional community irrigation systems in Sri Lanka, the Philippines, and India. When applied to the analogous problem posed by size-based disparities, this suggests that a more equal distribution of holding sizes would increase irrigation efficiency.

An analysis of public canal irrigation in India's Punjab reports a variant of this problem, arising when tubewell irrigation was introduced as an alternative water source. In both districts studied, maintenance of watercourses was the joint responsibility of all cultivators who shared a given outlet. This worked well in one district, "where canals were the only feasible source of irrigation and all the shareholders, therefore, had a vested interest in the efficient operation of the same". In the second district, however, those farmers who had been able to install tubewells subsequently neglected watercourse maintenance, "thereby depriving even the others of water since it was not practical for them to clear the entire length".52 It was typically the poorer cultivators who lost access to irrigation, since they could not afford tubewells.

Elsewhere (Boyce, 1987) I have presented evidence that an inegalitarian agrarian structure poses a serious impediment to water control development in Bangladesh, where ten per cent of rural households own more than half the cultivable land. The argument can be briefly summarised here. The mobilisation of seasonally underemployed labour for water control projects in the slack winter season is impeded, in the first instance, by the fact that the landless and near-landless families who have the surplus labour do not own the land which would be improved. Therefore, they must be paid and supervised. In theory, local landlowners could pool their financial and managerial resources for this purpose, but in practice they seldom do so owing to (a) problems of co-operation among themselves; (b) the availability of capital-intensive: irrigation alternatives, which are often subsidised; (c) the presence of more profitable average of investment often outside the agricultural sector; and (d) the landowners' perception, which finds

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some basis in the history of government rural works projects, that agricultural labourers might organise if brought together to work in one place for an extended period of time, with potentially explosive consequences.

Efforts to circumvent these obstaeles via government initiation and funding of rural works projects run into a further set of difficulties. The motivation of the participants in such projects shifts from the mobilisation of internal resources for long-term land improvements to the capture of external resources for immediate gain. The local committees which implement the projects are dominated by politically well-connected large landowners. This has three negative effects upon the productive impact of the projects: (1) a substantial fraction of the allocated resources are lost through 'leakages', which constitute a direct form of political patronage; (2) projects are selected so as to maximise returns to the dominant individuals, through enhanced land values, rather than to maximise social returns; and (3) maintenance is neglected in the absence of continued external funancing.

Similar problems afflict deep tubewell development in Bangladesh. Although nominally provided to 'irrigation groups' comprising a hundred or more cultivators, government installed deep tubewells are frequently controlled by a small clique of powerful individuals. Again, efficiency as well as equity suffers, as these individuals set out to maximise their own self-interest. First, the tubewells tend to be sited at locations which are optimal not from a technical standpoint, but rather from the standpoint of the controlling individuals. 53 Second, monopoly pricing of irrigation water, favouritism in water allocation, and the possibility that the terms of water supply agreements will be unilaterally altered in mid-season by the 'waterload' combine to discourage other cultivators whose lands lie within the command area from purchasing water. Third, the tubewell controllers may deliberately withhold water from other cultivators, with a view to ultimately gaining control of their land, the potential value of which is greatly enhanced by access to irrigation. Finally, the resentment of those exeluded from the tubewell's benefits, for whom the waterlord's enhanced wealth and power is not only a source of envy but also a potential threat, manifests itself in the sabotage of irrigation equipment. These social factors, rooted in the country's inegalitarian agrarian structure, help to explain why a large percentage of Bangladesh's deep tubewells are non-operational, and why those which are operational tend to be ehronieally underutilised.54

A remarkable institutional innovation in Bangladesh, in which irrigation assets are provided to landless co-operatives, hints at the potential production gains of a more egalitarian framework. In the early 1980s a number of landless groups, which had been previously organised by non-governmental

the content of the transfer on many and income

organisations, were provided with tubewells and low-lift pumps by the ministry of agriculture. The landless groups operate the irrigation equipment and sell the water, sometimes on a cash basis and sometimes for a share of the crop, to landowners within their command areas. Ownership of water is thus divorced from ownership of landa separation facilitated, as Wood (1984) obscrves, by the country's fragmented landholding pattern—and control of the water resides in the hands of people from the poorest stratum of the rural society. The distributional implications of such a strategy are of course far-reaching, but for present purposes it is the efficiency implications which are of interest. Wood reports that "small farmers get better access to water through not being political tail-enders". In a 1985 survey of 92 tubewell and low-lift pump schemes, Palmer-Jones found that those punips managed by landless groups performed as well or better than private pumps or traditional state-sponsored projects. He concluded that "the belief that the landless will not put irrigation of their own lands first or use control of water to obtain control over others' land" contributed to larger command areas and possibly higher yields on the irrigation schemes managed by the landless. 55

The experience of China has also been ested in support of the proposition that a more egalitarian agrarian structure facilitates collective action. The percentage of acreage irrigated in China expanded greatly after the 1949 revolution and the accompanying land reforms, and while not problem-free, water management in China appears to have surmounted a number of the difficulties encountered elsewhere in Asia. Reporting on canal irrigation in the arid Xinjiang region, Griffin observes:

Certainly there is no problem, common in other countries, of farmers located conveniently at the head of the system getting more than their share of water or of richer farmers obtaining extra supplies of water through bribery. The high degree of economic and social equality in the rural areas obviously helps to overcome problems such as these, as does the existence of well organised communal institutions 56

It will be instructive to see how the recent shift of Chinese agricultural policy towards greater reliance upon individual incentives, and greater tolerance of inequalities, will affect water allocation and irrigation system maintenance.<sup>57</sup>

An opposing strand in the literature sees inequality as playing a positive role by facilitating hierarchical, top-down control of irrigation systems. It has been argued, for exantple, that community irrigation in India has historically been "predicated on the existence of inequality", since "inequality in landholdings allows for sufficient private gains to the dominant caste/lineage/ethnic group to invest in organising local irrigation". This line of reasoning casts doubt upon any presumption that greater equality-

invariably increases the likelihood of collective action. The essentlal problem, it will be recalted, is the gap between what is rational for the individual and what is rational for the society as a whole. The inequality-as-advantage argument rightly observes that one solution to this problem is for a cohesive subset of individuals to achieve sufficient economic and political dominance to capture the lion's share of the benefits and to compel others to contribute as necessary to this end.

The inequality-as-disadvantage argument sketched above reminds us. however, that economic and political domination is seldom absolute, or absolutely secure. The weak employ myriad 'everyday forms of resistance' to combat the power of the strong.59 This resistance constrains both the willingness and the ability of the strong to ensure the efficient utilisation of productive resources. Property rights to land and water are neither immutable nor indisputable, but rather are an object of incessant struggle, and irrigation develops in this contested terrain. Powerful (though not omnipotent) individuals shape irrigation development in their own interest, but this need not coincide with the public interest, even if the latter is very narrowly defined in terms of elficiency. Asian rice irrigation thus illustrates the tension between the potentials for co-operation and conflict inherent in all economic intercourse. A more egalitarian agrarian structure does not eliminate conflicts over water but at least it avoids those social tensions inherent in the subordination of the many to a few.

The success with which co-operative solutions are achieved and conflicts resolved in a given demographic and environmental setting cannot, in any event, be mechanically reduced to a simple function of the agrarian structure. It also depends crucially upon how that structure and its attendant social relations are perceived by the people who constitute it. This brings us to fourth influence upon the pace and direction of irrigation development: culture.

#### (d) CULTURAL FACTORS

Remarking upon differences in irrigation development in settings with similar population pressure and topography, Hayami (1981) has maintained that local irrigation institutions emerge more readily in the cohesive, 'tightly-structured' communities of Japan than in the more individualistic, 'looslystructured' communities of southeast Asia. The validity of this 'tight-loose' distinction, first advanced by Embree (1950) in his work on Thailand, remains a matter of debate among anthropologists.60 Nevertheless, culture often plays a vital role in facilitating collective action, and regardless of the terms in which cross-cultural differences are defined, there can be little doubt that societies vary in this respect. These variations affect the Institutional arrangements governing rice irrigation; and insofar as irrigation can be achieved only through collective action, they also affect its extent.

As noted above, Aslan rice irrigation often l'aces a disjuncture between individual and social rationality, that is, between the selfinterest of atomistic individuals, each of whom takes the behaviour of others as given, and the interest of these same individuals when taken as a group. If, in the construction or maintenance of community irrigation facilities, each individual assumes that others will (or will not) contribute labour to the task, regardless of the individual's own contribution, then it will always be rational for the individual to withhold his or her own labour. This is an instance of the well known prisoners' dilemma: if each individual acts 'rationally', then all are in the end worse off than if they nad reached a co-operative solution.61 In other cases, as illustrated by the head-tail dilemma in canal irrigation, certain individuals (the head enders) will in fact be better off if they pursue their own selfinterest than if they defer to the public interest in the efficiency of the irrigation system as a whole. In both cases, a society can achieve a collective rational outcome only by assigning rights and responsibilities by means of a set of values internalised by individuals, or a set of rules enforced by an external authority. Even the latter must be internalised to some extent via individual acceptance of the authority's legitimacy, since enforcement through coercion alone would generally entail prohibitive costs. As Lipton remarks, a society's "assignments of liability [and, one might add, its assignments of assets] depend upon the general moral consensus for their acceptability, and thus for low enforcement costs and reliability".62 Culture can be viewed as a medium in which such consensus is, to a greater or lesser extent, achieved and maintained.

The Balinese subak, described by Geertz (1980), provides an example of a local irrigation institution embedded within a larger cultural framework. A subak is an irrigation group comprising a number of households, usually from several different villages, who irrigate their rice terraces from a single dam or canal. The subak regulates water supply to the individual plots, but Geertz observes that it "is in fact very much more: an agricultural planning unit, an autonomous legal corporation, and a religious community". Each subak has two temples, one dedicated to the goddess of fertility, the other to the god of water. The temples are the foci for a complex set of rituals, synchronised with the flow of agricultural activity. which serve as "one of the major regulating mechanisms in the whole, marvelously intricate ecological system the subak represents".63

Similarly, Duewel (1984) observes that the dharma tirta water users' associations in central Java "have blossomed in Kejawen cultural zones, where there is a congruence between peasant values and social norms and the socio-organisational requirements of

irrigated rice cultivation and water management".<sup>64</sup> He argues that official efforts to promote the *dharma tirta* model in other regions in Java have failed, in part owing to their less 'culturally fertile' settings for irrigation development.

A culturally fertile setting for collective action need not be an egalitarian one (although Duewel's evidence suggests that the two attributes tend to coincide in rural Java), for what is at issue is not the extent to which interpersonal relations occur among equals, but rather whether they are cemented by bonds of trust. Each individual must trust the others will bear their fair share of the costs of collective action, and will not seek to appropriate more than their fair share of the benefits. Fairness, of course, lies in the eye of the beholder. A very unequal distribution of wealth and power may be perceived as fair by rich and poor alike; indeed, the rich can be expected to expend considerable resources to persuade the poor that this is so. At most, what can be hypothesised is that maintenance of trust and moral eonsensus will prove more difficult in a highly inegalitarian social order -- in other words, that liberty, equality, and fraternity are complements rather than substitutes.

If cultural factors do help to explain variations in the pace and direction of irrigation development, the question arises as to how the relevant cultural differences are themselves to be explained. Hayami hypothesises that demographic pressure plays a crucial role: "the basic force underlying tightness in community structure", he asserts, "is relative resource scarcity-the scarcity of non-labour resources relative to labour".65 If this were so, one might expect to find extremely 'tight' village structures in a country such as Bangladesh, where the rural population density is very high and capital is in relatively short supply. Yet Bangladeshi village society is far from being 'tight' in Embree's sense. 66 As noted above, Hayami also stresses the importance of topography. If local collective action for water control is indeed easier in mountainous regions than in river deltas, this might help to explain why villages in deltaic areas remain 'loose' despite intense demographic pressure. In a similar vein, Hayami speculates that climatic differences may explain why Japan has a tighter village structure than Java, even though both share a similar topography and similar population densities: in Japan the growing season for rice is more limited, owing to the cold winters, and this compels cultivators to schedule their agricultural operations more tightly, implying a greater need for coordination in water use.

Few would argue that the cultural differences relevant to irrigation development can be fully explained in terms of population pressure or geography. Yet the broader issue remains of the degree to which culture can be viewed as an autonomous determinant of the pace and direction of irrigation development. Insofar as cultures vary in the degree to which they facilitate collective action, is culture to be regarded as the exogenous variable? Or is it rather the necessity for, and possibility of, collective action which impels cultural evolution in a particular direction? The question is a deep one, and no axiomatic answer will be asserted here. Clifford Geertz cautions that "arguments from functional potency to functional necessity are both empirically dangerous and logically suspect," but he concludes that "it is nonetheless difficult to see how a social system of the Balinese sort could possibly operate without something very much like the temple system to give it form and outline".6" Whatever the strands in the web of causality, it is clear that irrigation organisations cannot be abstracted from their cultural context. The implications for the transferability of irrigation institutions are evident.

As a culture confronts changing economic and political circumstances, the bonds of crust which once facilitated eollective action can weaken and break. Customary notions of fairness may be violated by individuals who aggressively pursue new avenues for the advancement of their self-interest, apart from or in opposition to the interests of others in the community. At the same time the legitimacy of traditional hierarchies may be undermined by new ideas of economic and social justice. Such pressures upon the cultural norms and internal cohesion of rural communities often follow upon interventions by external forces. Sengupta (1985) argues that in India, for example, British colonial rule and the reforms undertaken by the post-colonial state have gradually eliminated the 'congenial social and eivil systems' which were essential for the maintenance and operation of traditional community irrigation works, resulting in their physical decay.68

Another example can be found in Sri Lanka, where the government has sought since the mid-1950s to replace long-standing local irrigation officers, known as vel vidane, with participatory institutions in traditionally irrigated villages and with centralised bureaucratic management in the new canal systems. Neither institutional innovation has proven terribly successful. As Lipton (1984) reports:

Many an individual farmer lacked trust in the capacity of the new authorities—whether participatory or bureaucratic centralised—either to control overuse by other individual farmers, or to deliver water and maintain systems well enough to render his own overuse untempting. If land reform had been implemented, so that big landlords could not subvert new participatory authorities in traditional systems; or if maintenance and water-management had received more priority in modern systems; then a 'core' of farmers, sufficient to uphold the new means of water control, might have become effective.

Instead, the outcome was "an island-wide spate of gross water overuse", irrational from

a social standpoint, and yet "perfectly rational for each farmer, inistrustful of both his neighbours and the control and delivery capacity of the new water managers". The result, according to 1 ipton, is that irrigation in Sri I anka is today "a war of each against all". 69

In discussing cultural influences upon irrigation organisation, Chambers maintains that the 'more egalitarian and more anarchie' character of rural Sri Lankan society gives rise to a greater need for bureaucratic controls than in south India, where "the controls already exist in the hierarchical structure of society". 30 The cultural contrast hetween Srt Lanka and south India may turn, however, not upon which society is more egalitarian, but upon the extent to which traditional bonds of trust between individuals have been corroded by what is sometimes termed 'modernisation' 71 If so, the prescription for more bureaucratic control in the Sti Lankan case loses some of its appeal, for state intervention can be seen as one source of the problem, and not only, nor perhaps even necessarily, as an essential part of the solution. Ultimately rural Sri Lanka tnay experience what Lipton terms a 'transition of trust', whereby local rules and traditional values are effectively supplanted by the moral suasion and coercive power of the modernising state. Or perhaps new local institutions, embedded within an evolving rural culture, will emerge to restore the eapacity for co-operation among water users. In any event it is clear that cultural factors in ciact not only with demographic pressure, geography, and the agrarian structure, but also with the state. Io this final determinant of the pace and direction of Asian mee prigation we now turn.

#### (c) ROLL OF STALE

The single most influential work on the relationship between irrigation and the state in Asia has undoubtedly been Karl Wittfogel's Oriental Despotism (1957), which asserted a causal historical relationship between the development of irrigation in arid and semi-arid settings and the emergence of despotic state bureaucracies exercising absolute control over the agrarian population.72 The geographical scope of Wittfogel's thesis did not extend to the major rice-growing tracts of Asia, where he believed that the more hospitable environmental circumstances permitted a more decentralised pólitical economy. Yet similar imperatives for social control of water arise in multi-user rice irrigation systems, at the local level and, in the ease of the large-scale systems, at the regional or national level. As noted above, self-interested, atomistically 'rational' individuals will underinvest in the construction and maintenance of water control facilities, hoping to free ride on the investment of others; similarly, treating water as a free good, they will attempt to appropriate excessive amounts so as to

maximise returns on their own land, rather than maximising the efficiency of water use in the irrigation system as a whole. Wittfogel's thesis points to one theoretical solution to these conflicts between individual and social rationality: dictatorship. In effect, the state becomes a supra-individual economic agent, internalising externalities and 'privatising' public goods within its domain. 73 Here the inequality-as-advantage argument, discussed above with respect to agrarian structure, assumes its most extreme form. The hypotheticial dictator may be a local leader in the case of a small-scale irrigation system, or a despotic emperor as in Wittfogel's vision of the ancient hydraulic civilisations; in either case, the obstacles to irrigation elficiency posed by competing individual interests are swept away by the dictator's absolute power

In practice, despotisms are rarely as absolute as those envisioned by Wittfogel. Rather than an impersonal authority which internalises all externalities and maximises efficiency in its own self-interest, the more typical agromanagerial bureaucracy is caught up in a social matrix of competing interests. It is powerful, but not ominipotent. It serves and in turn receives essential political and material support from specific private interests, in a mutually beneficial relationship which rests upon the exclusion of other, competing private interests. In the case of bureaucratic water allocation, we can thus distinguish three groups: the hureaucracy itself; the privileged users, who receive a disproportionate share of the water and can grow more water-intensive crops, reduce weeding costs through flooding, and so on, maximising their self-interest at the expense of the efficiency of the irrigation system as a whole; and the excluded losers, who receive inadequate water or none at all. The latter lose not only relative to the bureaucracy and privileged users, but also absolutely insofar as (a) they bear, directly or indirectly, part of the costs of financing government irrigation investment, and (b) irrigation by privileged users results in lower output prices, or in higher prices for mobile inputs. There are conflicts between the bureaucracy and the privileged users, notably over the partitioning between them of the income streams generated by irrigation, but these are conflicts between allies. Each remains dependent upon the other, and both present a united front against the excluded losers.

Such a situation is depicted by Robert Wade (1982a, 1984) in his penctrating studies of the 'system of administrative and political corruption' governing a canal irrigation system in south India. Kickbacks from maintenance contracts, and illicit payments for privileged access to irrigation water, are collected by local irrigation officials and then are 'aggregated and channelled up the bureaucratic hierarchy, each level taking a share'. Officials who do not satisfactorily fulfill this informal responsibility, or who display an inconvenient devotion to their

more formal duties, are reassigned to undesirable posts. After recounting the failure of one modest policy effort to increase irrigation efficiency by reducing headtail disparities, and portraying the powerlessness of a reform-minded official who tried to implement it, Wade concludes that the institutions of governance do not serve the social goals of productive efficiency, but rather "have themselves become a means by which resources are illicitly and coercively channelled out of the hands of the public and out of the state treasury, into the hands of senior officials and politicians". 74

Such practices are not uncommon. Carruthers (1983) writes that his own extensive field experience "tends to confirm that the process Wade describes is, with variants, found elsewhere". He reports that an appraisal of "any irrigation scheme is likely to reveal that there is an unofficial system of illicit payments", including "bribes for additional water or ignoring illegal crops", and "extortion for delivery of allocated water--a kind of insurance or protection racket". Citing nineteenth century accounts from northern India. Carruthers notes that "such transactions have long been established practice". He underscores some of the efficiency implications:

Given that this process creates uncertainty and unreliability it must affect farming investment. Indeed, as Wade points out, to maximise bribes, engineers have to persist with ad hoc unannounced cut-offs, water rotations and *create* uncertainty. He points out that operating engineers may blunt reform if it weakens their financial interests. Running the complex water financial market must detract from their professional activity and tapping the O&M [operation and maintenance budget must produce substandard work . . . [1]n very few of the official donor evaluation reports is the subject mentioned and in none is it given any prominence. But it probably does constitute a major impediment to efficiency. Bribery is not a lubricant to the operating system, it is corrosive.75

The efficiency costs cited by Carruthersthe deliberate creation of uncertainty and the opportunity costs of the time devoted to rent collection-arc enforcement and transactions costs incurred to assert and protect the de facto property rights of the irrigation bureaucracy, and to capture the resultant income streams. To some extent, such costs are inevitable: property rights must be tended to, and this tending requires the expenditure of resources. Carruthers' argument can thus be rephrased as the claim that enforcement and transactions costs are too high under a 'system of administrative and political corruption'. This is probably true—such costs could be reduced, though not eliminated, under a less 'corrupt' system-but the efficiency implications of politicised bureaucratic water allocation go further.

Consider the counterfactual situation in which the water bureaucracy enjoys absolute control over water allocation. Its de facto

property rights in irrigation water, established and protected at whatever cost, are exclusive. The privileged users have no de facto rights of their own in respect of this water: they are customers, not allies. If this bureaucracy proceeded to maximise its net income from the 'bribes' paid for the water, one would expect an efficient outcome in the specific sense that the marginal value product of the water would be equalised across farms. Discrimination against locational or political 'tail-enders' would disappear, for such discrimination would reduce the total volume of rent available for appropriation by the bureaucracy. In other words, privileged users and excluded losers would no longer exist; we are left only with the bureaucracy and the users. There will still be enforcement costs and transactions costs, but the system will otherwise be efficient.

If, in the real world, we find privileged users and excluded losers, this suggests that the irrigation bureaucracy does not in tact exercise absolute power or have exclusive property rights in irrigation water. Rather, the privileged users constitute a separate power bloc with de facto water rights of their own. The bureaucracy dispenses irrigation water not as a simple commodity, but also as patronage: the state appears to sell water, but at the same time it buys political support. In Wade's example of the failed irrigation reform, opposition came not only from the irrigation bureaucracy but also, quite strongly and effectively, from the privileged users. The latter instituted legal proceedings to delay the reform, physically threatened the lone official who tried to implement it, and ultimately, after 'lobbying hard and expensively' in the state capital, secured his transfer out of the area. The political power of the privileged users thus conditions and circumscribes the power of their allies in the irrigation bureaucracy.

This duality of power, in which the state is not omnipotent but rather operates in partnership with powerful private interests, gives rise to the free rider and externality problems which, in addition to enforcement and transactions costs, undermine efficiency on canal irrigation systems in south India and elsewhere. Indeed, the two sources of inefficiency often go hand in hand. Privileged users deny water to excluded losers not only to maximise profit on their own lands, but also to protect their de facto water rights. Again, Wade provides telling evidence:

Any water sent into the distributory which was surplus to the requirements of the upstream paddy was sent into the drains—deliberately wasted by the upstream villages rather than let to flow down to the lower villages, in case the latter were able to plant an irrigated crop; for once farmers have an irrigated crop in the ground, they are in a stronger position to insist on water than when they are able to insist merely that abstract zoning rights be respected. 76

In this light, Carruthers' recommendation that irrigation users associations be promoted as a 'countervailing voice' to the burcaucracy can be seen to go only halfway. To act as an effective force for improved efficiency, such associations would have to be formed above all by the excluded losers, the cultivators who now receive inadequate irrigation or no water at all.

In south India, then, we find not the absulute despotism of Wittfogel's ancient empires, but the petty despotism of the modern bareaugratic state. Political and economic inequality is not an instrument of productive efficiency, but an impediment to it. The vested interests of those who profit from the urngation status quo-favourably situated cultivators, irrigation officials, and ruling politicians—effectively thwart the public interest; the conflict between individual and social rationality is resolved in favour of the tormer. In theory, it is possible, in Wade's (1980) phrase, to 'substitute management for water' by improving the efficiency of canal irrigation schemes, but in practice this proves difficult or impossible in the absence of self-regulating local irrigation organisations. the state is a poor substitute for such erganisations; as A Sundai remarks, "In a socio-political situation where what is legitimate is what one can get away with, can there be any concern about public system performance?" He cites a proverb which eloquently sums up the frustrations of the would-be water manager: "In the land of nudists, what can a washerman do?"":

Wade characterises this state of aftans as 'a condition of populist anarchy', yet the system he depicts is carefully managed by and for an administrative and political machine: it is clitist rather than populist, well-ordered rather than anarchic. Witt-fogel's emperor may have no clothes, but the state is by no means absent. Instead of an impartial arbiter of disputes and maximiser of efficiency, the state appears as a creator and dispenser of economic rents, emmeshed in the conflicts between competing private interests. For the failures and imperfections of the market, it substitutes failures and imperfections of its own.

Attempts by the state to increase its control do not necessarily improve efficiency or equity. In particular, as noted above, state intervention in pre-existing community irrigation systems is often reported to undermine the independence and efficacy of institutions. A number of observers have noted such corrosive effects. Vaidyanathan writes that the advent of British rule in India 'invariably weakened' local water conservancy institutions and 'increased the role of the government bureaucracy, and that this trend 'was if anything intensified in the postindependence period".78 Similarly, Sengupta has argued that during colonial rule in India community irrigation organisations survived mainly in those areas where local governments were relatively autonomous. 79 In a review of irrigation development in Asia as a whole, Barker et al (1984) caution that "assistance to community systems, unless carefully staged, can not only encourage the

demise of community investment and responsibility, but also attach the local system to the unpredictable future actions of the technical bureaucracy".80

At least three reasons can be advanced to explain this phenomenon, First, as Barker et al note, government interventions tend to focus upon narrow, technical issues, to the neglect of the social intricacies of community irrigation Institutions, Second, as Hart (1978) and Wade (1982b) have observed, government interventions frequently entail a paternalistic mode of interaction, in which eultivators become dependent on resources from 'higher' authornies. This paternalism "will more likely undermine than promote a subsequent capacity to more autonomous initiatives". At the same time, government "assistance to community systems is often couched in disrespectful ternts", reinforcing the devaluation of local institutions. b Finally, the use of public spending on irrigation development as a vehicle for political patronage creates new profit opportunities for local leaders, and this may shift their individual cost-benefit calculus against the maintenance of traditional norms and institutions. 23

There are counter-examples in which state intervention appears to have strengthened community institutions. Barker et al mention government technical assistance to community irrigation systems in north Sumatra, Indonesia, as an instance of an approach supportive of local institutions. Planck and Sutawan (1983) maintain that the intervention of government agencies "does not seem to result in great strain and stress" Balinese subaks; instead, the construction of dams and cauals by state authorities "has eased the burden in maintenance and repairs of irrigation structures for the subak members". And Sengupta concludes that the 'melons-an-a-vine' approach to irrigation in Japan and China, whereby large-scale works are designed to serve relatively independent local sub-systems, has preserved local amonomy.84 In contemplating government interventions, however, the common if not inevitable experience of adverse effects upon prior community systems contains salutory lessons.

The autonomy of the state is circumscribed not only by the power of private interests within the country, but also by external forces. This was most evident in the colonial era, when many Asian states were directly and formally subordinated to imperial powers. Yet external influence persists in independent states, in proportion, among other things, to their dependence upon financial flows from multilateral and bilateral international agencies. Such dependence is considerable in a number of Asian rice producing countries, and has helped to shape the pace and direction of their irrigation development.

Direct foreign involvement in Asian irrigation dates from the mid-19th century, when canal systems were constructed in the Punjab and Uttar Pradesh under British rule. The Dutch in Indonesia and the Japanese in Taiwan also initiated major surface water irrigation projects in the colonial period. Yet the major foreign involvement in irrigation development in the region as a whole began after World War II, when international agencies provided financial and technical assistance for a number of large-scale irrigation and multi-purpose water development projects. Examples include the Mckong River Plan, the groundwork for which was laid by a survey conducted by the United Nations Feonomic Commission for Asia and the Far fast in 1951; the Damodai Valley Project in eastern India, which received financial support from the United States Agency for International Development (USAID) in 1953; the Audong Dain on the Nam River in South Korea, constructed in 1960 with financing from the Asian Development Bank; and the Mangla and larbela Dams in Pakistan built in the late 1960s with tinancing from the Indus Basin Development Fund created by the World Bank.85

From the 1960s, international agencies extended their involvement to smaller-scale irrigation development, including groundwater explonation. For example, the first government sponsored groundwater irrigation scheme in what is now Bangladesh, the Thakurgaon deep tubewell project, was designed and financed by West German hilateral aid in the mid-1960s. The World Bank subsequently sponsored the installation of 3,000 deep tubewells in the Northwest Tuhewells Project, with co-financing from the Canadian and Swedish official aid agencies, and the UK government linanced an even larger deep tubewell project in north central Bangladesh. In the late 1970s, the World Bank, IJNICLE, USAID, and other denor agencies began to finance shallow tubewell and hand tubewell irrigation projects in Bangladesh as well.

Nevertheless, as Levine (1980) observes, "generally it has been easier to obtain external financing for targe projects than for small ones." He cites a variety of reasons for this:

[M] any international loans cover the foreign exchange component of the project and since large projects tend to have a relatively larger foreign exchange component they are favoured for funding; the accomming and oversight requirements associated with the international loans are more easily accommodated within a large concentrated project than within a set of dispersed smaller projects, the documentation for adequate consideration of the project (basic hydrology, technical details, economic projections, etc) are more easily developed for large relatively compact projects than for small projects. 86 eliques more executal tunding can hence

Reliance upon external funding can hence be expected to influence the scale of irrigation development.

Table 3 presents summary date on foreign investment in irrigation in Asian rice-producing countries from 1969 through 1981. Total investment during this period exceeded US \$ 8 billion, with more than \$ 2

billion in India and nearly that amount in Indonesia. In per capita terms, the highest levels of foreign investment in irrigation were in Malaysia, South Korea, and the Philippines. External financing accounted for roughly hall of the total capital costs incurred for irrigation in south and southeast Asia as a whole in the mid-1970s. \*7 The central role of irrigation in Asian agricultural growth is now widely recognised by international agencies, with the result that external financing for irrigation development can be expected to continue and possibly increase in real terms in the next decade, even if total development assistance budgets shrink. In 1978 the Trilateral Commission proposed an ambitious plan to double rice production in Asia by 1993 via massive irrigation investments. Thirty million hectares in south and southeast Asia were to be brought under irrigation, and preexisting irrigation facilities on an additional 17.5 million hectares were to be improved, for a total capital outlay of \$ 52.6 billion (at 1975 prices). It was envisaged that approximately 61 per cent of this expense would be borne by the OECD countries, and an additional 12 per cent by OPEC countries, with the remainder coming from the south and southeast Asian countries themselves 88 Although resources on this scale have not been forthcoming, the proposal illustrates the potential scope of continuing external involvement in the region's origation development.

Reliance upon external resources often not only increases the scale of urigation projects, but also entails reliance upon foreign technology and foreign institutional models. One frequent result is an increase in the capital intensity of irrigation development. This springs in part from the export-promotion motive in foreign assistance, in part from the fact that the technologies being transferred were generally developed under conditions of relatively greater labour scarcity, and in part from a preference among foreign and foreign transed engineers and

Tabel 3: Foreign Investment in Irrigation in Asia, 1969-81

Country	foreign favestment				
	Total	Per Capita			
	(5 m)	(\$)			
Total	8,418	54			
Bangladesh	657	7.5			
Burma	169	5.1			
India	2,042	3.1			
Indonesia	1,896	13.6			
Kampuchea					
Korea (S)	781	20.7			
Laos	60	16 7			
Malaysia	373	27.3			
Nepal	183	13.3			
Pakistan	485	6 t			
Philippines	952	20,1			
Sri Lanka	237	16.4			
Thailand	473	10.4			
Vieinam	110	2.1			

Source: Takase (1984), p 189.

planners for 'modern' techniques. This bias is illustrated by the World Bank's Northwest Tubewells Project in Bangladesh. The technology chosen for this project was sophisticated and expensive, akin to that used in the midwestern United States. Submersible turbine pumps were imported from West Germany, engines were imported from Britain, fibreglass screens and casings were imported from Canada (the Canadian government's contribution to the project), the drilling of the tubewells was contracted to foreign firms who used imported power rigs, and overall technical supervision was provided by a British consulting firm. The total cost was approximately, \$ 12,000 per tubewell, more than a hundred times the average annual per capita income in Bangladesh

The technology chosen for the World Bank's project was inappropriate in four respects. From a technical standpoint, the pumps were ill suited to the less than ideal operating conditions of ru.al Bangladesh, and hence vulnerable to breakdowns which were often prolonged by the absence of specially trained mechanics and imported spare parts. From an economic standpoint, the high capital-intensity of the project was inconsistent with the country's labour abundance and capital scarcity. From a social standpoint, the tubewells' 60-acre-plus potential command areas would require a level of co-operation in water allocation which is mulkely to be achieved given the country's disarticulated and inegalitarian agranian structure. Finally, from a political standpoint the technology can be characterised as mappropriate in that the ostensible beneficiaries had no opportunity for personal participation in the installation of the tubewells; they were treated as objects, rather than subjects, of the development process.89

An alternative deep tubewell technology, developed in Bangladesh itself, was available at the time. Its installation required 20 times more labour; its drilling equipment was highly mobile and easily transported by hand; its screens and casings were manufactured locally; its pumping equipment was easier to maintain; and it cost ony half as much. The foreign engineers who selected the technology for the Bank's project in 1970 observed this alternative in operation during their three-week visit to Bangladesh. Researcher John Thomas, who accompanied them, describes their reactions. While watching the low-cost wells being installed "in a sea of mud by a large group of villagers", one of the Bank's engineers remarked, "You can't install reliable tubewells this way." Yet Thomas notes that tests showed the low-cost wells to be of equal quality to the high-cost ones, in fact, they were more reliable under village operating conditions, since they were easier to maintain and repair. Thomas argues that the decisive factors behind the Bank's choice of the more capital-intensive technology were a desire for "risk avoidance, appearance of modernity, established procedures, familiar techniques, and, by no means least, control". The government agency involved in implementing the project shared many of these preferences; as Thomas notes, agencies and their staffs derive "power, prestige, and sometimes an opportunity for profit by attracting foreign aid and implementing large programmes". 90

There are, of course, cases in which foreign-assisted irrigation projects have employed small-scale, labour-intensive, 'appropriate' technologies. Assistance to manually-operated shallow tubewell development in Bangladesh is one example. Few generalisations about the disbursement of billions of dollars by dozens of different agencies in more than a dozen countries can be universally true. Yet one can hypothesise that, in general, official foreign assistance tends to bias irrigation development towards larger scale, greater capital intensity, greater reliance on imported goods and services, and more centralised, top-down methods of control.

The experience of irrigation development in the People's Republic of China provides an interesting contrast, although the facts of the situation remain somewhat unclear. What is not disputed is that after the 1949 revolution, China vastly increased its irrigated acreage with very little foreign assistance. Highly labour-intensive earthmoving projects are widely credited with much of this increase. For example, a World Bank study reports:

The enormous effort implied by the development of [irrigation on] over 29 milhon hectares since 1949 would not have been possible without the massive involvement of the local populace organised by the collective institutions. . . Except for large dams built on major rivers or extensive dredging, almost all water conservancy work in China is done by hand, using wheelbarrows, small carts, and often shoulder poles and baskets for transportation. Projects with tens of thousands of workers are common. On average, as many as 50-80 million participants are engaged in winter/spring construction campaigns. 92

Yet some observers, skeptical as to the productive impact of these projects, maintain that irrigation expansion has been primarily attributable to tubewell development on the north China Plain. 93 The extent of centralised control in Chinese irrigation has also been a matter of debate. 94

Thus while the state has played a major role in shaping the pace and character of Asian rice irrigation, it cannot be regarded as an autonomous, let alone omnipotent, agency able to maximise efficiency and subordinate private interests to the public interest. Rather, state power is circumscribed by the influence of the vested interests on which it depends for political support, by the resistance of those who are subordinated, and by the leverage of external agencies with their own agendas to pursue. Once again, the issue of exogeneity arises: why, for example, does a more powerful or interventionist state emerge in one setting, and a weaker or less

interventionist one in another? To some extent, the answer may lie in the other factors we have considered—population pressure, geography, agrarian structure, and cultural factors. For example, Ruttan (1978) characterises the Chinese revolution as an institutional change, induced by the "long period of secular economic stagnation" in China in the preceding 100 years, which "gave both the local community and the broader society more effective control over local and national resources". 95 Yet few social scientists (and fewer historians) would advance an entirely deterministic account of state formation.

#### VI Conclusions

This paper has surveyed the technological and institutional alternatives in Asian rice irrigation, with a view to explaining the wide variations in the pace and character of irrigation development in the region, in much of Asian rice agriculture, irrigation acts as the 'leading input', or binding technological constraint upon increases in land productivity. Yet the pace of irrigation development in the region has been very uneven, with the percentage of net sown area irrigated ranging from only three per cent in Kampuchea to 76 per cent in Japan. At the same time, the character of irrigation development varies in a number of dimensions, including scale, relative factor intensity, institutional arrangements, and the degree of 'larmer controlledness', in addition to the usual hydrological and engineering criteria.

No attempt will be made here to summarise in detail the various factors which may help to explain these variations. Rather, a few concluding observations will be advanced. First, much of Asian rice irrigation requires action above the level of the individual farm, and thus lies in the large intermediate terrain between the extremes of pure private goods and pure public goods. This intermediate terrain is inhospitable to the elegant but fragile axioms of conventional economic theory. The pursuit of individual self-interest cannot be assumed to promote the public interest; the invisible hand loses its grip. Conflicts between individual and collective rationality are a common feature of irrigation development, and Asian societies differ considerably in the success with which they have resolved them.

Second, the determinants of irrigation development considered above—population pressure, geography, agrarian structure, cultural factors, and the role of the statc—are not independent variables, much less mutually exclusive ones. It is not the case that there are simply several causal factors at work, the relative strength of which could be assessed, if all variables were quantifiable, and measurable via a multiple regression procedure. Rather, the various determinants are themselves interrelated: population pressure affects the agrarian structure, cultural factors affect the role of the state

and vice versa, and so on. Moreover, the relationship between these 'determinants' and irrigation is not unilinear, since irrigation in turn may profoundly influence each of them. Any aftempt to explain variations in the pace and character of irrigation development must lience find a passageway between the pitfalls of reductionism and of particularism, between the inspulse to identify an ultimate prime mover which explains all, and the urge to abandon any comparative framework and instead treat each case as sin generis.

Finally, the process of technological change is not always smooth or elastic with respect to population pressure, as evidenced by the underdevelopment of irrigation in much of contemporary south and southeast Asia. The foregoing analysis suggests that such underdevelopment is not accidental, but rather is the outcome of a particular constellation of factors. In such a situation, it may be tempting to search for a magic wand of government policy which can, at a stroke, surmount conflicts of individual interests and ensure efficient outcomes. Thus Wittfogel's vision of the oriental desposism of ancient times is reborn in the modern, technocratic vision of irrigation development, in which rights and responsibilities are clearly demarcated by an impartial, efficiency-maximising state. The relative importance of bureaucratic versus market allocative mechanisms is here a secondary issue; what defines the technocratic approach is not its choice of instruments for social engineering, but rather its assumptions as to who will make such choices and direct the development process. A comparative analysis of Asian rice irrigation underscores the limitations of this vision, and points to the potential merits of alternative strategies based upon the democratisation of control over water resources.

#### Notes

[An earlier version of this paper was written for the Conference on Development and Technological Transformation: Alternative Approaches held at the World Institute for Development Economics Research in Helsinki in August 1986. I am grateful to the conference participants for their comments. I have also benefited greatly from the critical comments of Tariq Banuri, Ramachandra Guha and Michael Lipton. None of the above bear my responsibility for the views expressed here.]

- I Masefield (1977), pp 21-22.
- 2 Food and Agriculture Organisation (1985), p 59. Of course, not all this acreage is sown to rice; for an indication of the importance or rice in their cropping patterns, see Table I, below.
- 3 Calculated from data presented by Todaro (1985), pp 33, 40.
- 4 Much of the existing literature on Asian rice irrigation is highly fragmented, along both locational and disciplinary lines. Among the few works which adopt a comparative perspective are Coward (1980), Vaidyanathan (1983), and Barker et al (1984).

- 5 Ishikawa (1967), p 94 Ishikawa's figure for the yields of paddy (unhusked rice) is here converted to clean rice using the FAO conversion factor of 0.8 for Japanese brown tice.
- 6 The environmental differences between Japan and southern Asia are reflected in the characteristics of the *japonica* and *indica* tacks of free native to them. The *japonica* varieties require the long day-lengths of summer in the high latitudes, and they need a longer growing season than the *indica* varieties, a point which should be borne in mind when comparing their yields.
- 7 Sec, for example, David and Barker (1978).
- 8 Boyce (1978), Chapter 6.
- Profesample, Alamph (1980) reports visiting the Ganges Robadak project, the main canal hrigation scheme in the connity, as a member of a Planning Commission evaluation team in 1974, and finding less than 10,000 acres of actual dry season irrigation, in contrast to the published official figures of 61,292 acres. The 1977 Agricultural Census (Government of Bangladesh, 1981) found of timigated area to be 11.3 per cent of net sown area; official data for the same year reported net irrigated as reage to be approximately one-third higher, at 14.7 per cent (Government of Bangladesh, 1985, pp. 690, 825).
- 10 Gopmath (1976)
- 11 The relationship is somewhat clouded by intra state variations; in Uttar Pradesh and Bihar, for example, irrigation is concentrated in wheat growing areas.
- 12 Government of Bangladesh and FAO/ UNDP Mission (1977), p.4.
- Calculated from data in MacDonald and Partners (1982), Vol 3, Report V, Tables 2.2 and 7 10.
- 14 Agarwal et al (1982), p.6.
- 15 Biswas (1980), Carrithers and Clark (1981), pp. 129-131.
- 16 This concept of neutrality is generally attribitted to Hicks, although it can be traced to Pigou See Boyce (1987), p 50, n 2.
- 17 Palmer Topes (1986) reports variants of these three payment systems encountered in a survey of deep rubewells and low-lift pumps in Bangladesh, and analyses their equity and efficiency implications.
- 18 Chambers (1980), p. 36. To illustrate the latter, Chambers quotes John Harriss on a system in Sri Lanka where 'in time of searcity water supplies depend on the strength of a man's right aim'.
- 19 Chainbers (1980), pp 40-41.
- 20 See Nickum (1978)
- 21 I am indebted to Michael Lipton for suggesting this term.
- 22 Worster (1985), p. 7.
- 23 Howes (1984), pp 22-23
- 24 Dhawan (1982), p. 154, reports that falling water tables due to the installation of tubewells may help to account for 'the disappearance of traditional wells from the Punjab agriculture' Howes (1982) and Gill (1983) report similar conflicts between deep and shallow tubewells in parts of Bangladesh.
- 25 See Worster (1985), pp 141-2.
- 26 Sengupta (1985), pp 1930-1.
- 27 Sengupta (1985), p 1927; see also Tamaki (1977), p 24

and the same of the same

- 28 Cohen (1977), p 14.
- 29 Boserup (1965), pp 59-61.
- 30 Clark (1967), pp 137-138.
- 31 Simon (1975), p 76.
- 32 Boserup (1965), p 118. See also the comments of Coale and Sovani regarding Sri Lanka, India, and Japan, in Coale, ed (1976), p 296.
- 33 Boyce (1987), Chapter 5.
- 34 Hicks (1932), p 120.
- 35 For a summary of evidence from India, see Sen (1975), Appendix C
- 36 In India, for example, as Sengupta (1985, p. 1920) observes, "The steeper slopes of the Himalayas or the Western ghats do not provide as much slope [for gravity flow irrigation] as the gentle slopes of the Fastern ghats"
- 37 Vaidyanathan (1983) explains the pievalence of tanks in south India in this way.
- 38 Hsieh and Ruttan (1967), pp 337-9.
- 39 Bray (1983), p 26.
- 40 For an international review of the evidence, see Berry and Cline (1979). Much of the Indian evidence is summarised by Sen (1975), Appendix C. Rudra (1982), pp 150-189, stresses the non-universality of the inverse relationship, however.
- 41 For discussion, and a consideration of the related issue of land quality differences, see Boyce (1987), pp 38-41, 201-213.
- 42 For discussion, see Ghose (1979).
- 43 Ideally, such a distributional measure should be adjusted for variations in household size, and for variations in the proportion of income derived from nonagricultural sources.
- 44 Colombo et al (1978), p 29. More generally, Uphoff and Esman (1974, p 64) write: "The first condition for developing effective local initiative seems to be the relatively equitable distribution of assets, which in the Asian rural context means primarily land".
- 45 Palanisami and Easter (1984), p 223.
- 46 Ramamurthy (1984), Part 1, pp 6, 22, cuing conference papers presented by Nirmal Sengupta and T K Jayaraman.
- 47 Lipton (1984), p 44.
- 48 For example, in the Mayurakshi canal irrigation project of West Bengal, it was originally envisaged by planners that half of the acreage irrigated in the dry winter season would be sown to wheat, and the remainder to mustard, pulses, vegetables and sugarcane. In practice, however, the principal crop irrigated is rice. This helps to explain why winter season irrigation in the mid-1970s covered only 31 per cent of the projected command area. See Boyce (1987), pp 232-3.
- 49 Horst (1984), p 212.
- 50 The phrase is used by Wood (1984), p 79.
- 51 See Leach (1961), pp 158-9; Coward (1979), pp 30-31; Siy (1982), pp 54-55; and Sengupta (1985), p 1931. In these cases, it will be noted that Iragmentation of landholdings promotes efficient water use. Sengupta observes that in such a context government-enforced land consolidation programmes are likely to be counter-productive.
- 52 Jairath (1985), p A-6.
- 53 A divergence between technical and individual optuma can arise for two reasons. First, water does not flow uphill. Maximisation of the tubewell's command area hence requires siting it on high ground, whereas

- maximisation of individual control requires that it be sited on the waterlord's land; the two criteria often dietate different sites. Second, individual neglect of externalities arising from falling water tables will result in tubewells being sited too close to each other.
- 54 For further discussion see Boyce (1987), Chapter 7.
- 55 Palmer-Jones (1986), p 14.
- 56 Griffin (1985), p 19.
- 57 For some preliminary observations, scc Hinton (1983).
- 58 Ramanurthy (1984), Part 11, pp 7, 12.
- 59 Scott (1985) provides an exceptionally close observation of such resistance in rural Malaysia.
- 60 For references, see Hayami (1981), p 14.
- 61 See Rapoport and Chainmah (1965); Sen (1977); Lipton (1984); and Axelrod (1984).
- 62 Lipton (1984), p 30.
- 63 Geertz (1980), pp 79-82.
- 64 The very name, dharma tirta, has social and religious connotations. 'Dharma suggests social interdependency, and community, while tirta signifies sacred, pure water with life-giving fertility? Duewel also notes that the land ownership pattern in the central Javanese villages he studied was quite egalitarian: absentee landlordism was 'practically non-existent', and very few households owned more than one hectare of land. He suggests land tenure systems elsewhere might be another impediment to dharma tirta development. Duewel (1984), pp 265, 269, 284-5.
- 65 Hayami (1981), p 14.
- 66 As evidence of the greater 'looseness' of Thai village structure, Embree cited the 'less clearly defined and less strictly enforced' rights and duties of villagers; the mobility of the population; and the lack of emphasis on long-term obligations, as exemplified by the absence of long-term village financial credit associations. For evidence of comparable 'looseness' in rural Bangladesh, see Van Schendel (1981) and Flartmann and Boyce (1983).
- 67 Geertz (1980), p 87. In speaking of 'social system of the Balinese sort', Geertz is here refering to more than simply irrigation, but the underlying issue is the same.
- 68 Sengupta (1985), pp 1930-5.
- 69 Lipton (1984), pp 45-46.
- 70 Chambers (1980), p 48.
- 71 Both factors could, of course, be jointly at work, and it may be that in some circumstances an inegalitarian, hierarchical culture is more resilient in the face of external pressures.
- 72 The causality need not be unilinear; that is, the need for irrigation could help to induce the emergence of authoritarian states, and, at the same time, the emergence of such states could increase the possibilities for irrigation development. See Mitchell (1973).
- 73 Dictatorship plays an analogous role in social choice theory; see Arrow (1951).
- 74 Wade (1984), pp 288, 298-9.
- 75 Carruthers (1983), pp 64-66.
- 76 Wade (1984), p 290.
- 77 Sundar (1984), p 22.
- 78 Vaidyanathan (1983), pp 37-38.
- 79 Ramamurthy (1984), p 5, citing Sengupta's work on aharpine irrigation in southern

- Biha
- 80 Barker et al (1984), p 30.
- 81 Wade (1982b), p A-103.
- 82 Barker et al (1984), p 29.
- 83 The use of irrigation development funds for patronage is stressed by Vaidyanathan (1983), pp 38-39. For an illuminating account of the corrosive effects of the introduction of external resources upon traditional social organisation, see Van Schendel (1981), pp 215-8, 247-8.
- 84 Sengupta (1985), pp 1927, 1935. On irrigation development in Tokugawa Japan, see Kelley (1982). On China, see Nickum (1979, 1982), and Vaidyanathan (1984).
- 85 Cruz, Briones and Hufschmidt (1984), pp 3-4.
- 86 Levine (1980), p 9.
- 87 Colombo, Johnson and Shishido (1978), p 36.
- 88 Ibid, pp 31-36.
- 89 Hartmann and Boyce (1983), pp 259-260.
- 90 Thomas (1975), pp 53, 56-57.
- 91 According to the World Bank (1981), p 62, irrigated acreage rose from 16 million hectares in 1949 to 45 million hectares in 1981.
- 92 World Bank (1981), p 9.
- 93 Perkins and Yusef (1984), pp 50-51.
- 94 Vaidyanathan (1984), pp 80-81, states that the organisational structure for the construction, operation, and maintenance of irrigation systems in China 'has been and remains considerably less centralised than is generally supposed', and that the role of the state bureaucracy is much more limited than in India. Nickum (1982), p 65, on the other hand, observes that "the actual role of the present democratic management bodies is unclear", and that evidence from some places indicates that they "have little say over the choice of their ex officio leadership" and "are 'top-heavy' with higher-level officials".

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# Ground Water Markets and Small Farmer Development

Tushaar Shah K Vengama Raju

Localised, fragmented, village based ground water markets, the off-shoot or wide spread diffusion of modern water extraction technology in India, are far more pervasive and important than most researchers and policy makers imagine. Due to their responsiveness to certain public policy interventions, such water markets have the potential to become powerful instruments for efficient and equitable ground water development. This paper presents an argument about how the working of such markets could be influenced and examines empirical evidence in two markedly similar villages selected from the west Godavari district of Andhra Pradesh and the Kheda district of Gujarat. The paper highlights the differential impact of public policies followed by the two states on the terms of business; and the output and livelihood intensities of ground water markets of these two villages.

## Introduction and Hypotheses

LOCALISED, somewhat fragmented, village-based markets for ground water in India are far more pervasive and important in terms of size, role and implications than most researchers and policy makers concerned with irrigation imagine. In Gujarat alone, for example, the value of ground water extracted and used for irrigation every year is around Rs 5-6000 million and between 40-60 per cent of ground water extracted is sold mostly to the resource poor farmers without their own means to gain direct access to this precious resource. Influencing the terms at which ground water business is conducted can prove to be an important area of public policy. In contrast, existing thinking about ground water development is excessively concerned with promoting and regulating investment in modern Water Extraction Mechanisms (WEMs) as the sole instrument of achieving equity and efficiency in the use of a resource which is to command increasing importance in the years to come.

A major policy issue that has concerned those dealing with ground water development has arisen from the highly skewed distribution of private ownership of WEMs and the unequal access to this precious common property resource. It is unlikely that the scale bias observed in private ownership of WEMs will, in future, decline except through a radical reform in the structure of water rights. However, due to the operation of localised water markets, substantial proportion of the total benefits generated by private investment in WEMs accrue to the resource poor non-WEM owning farmers and even the landless; this proportion tends to increase as the water markets become more 'efficient' and the gap between the incremental pumping costs and water prices declines [Shah 1985]. From economic theory, we can infer that each of a group of profit maximising water sellers will sell water a price w such that

> w = (e/e-1)c...(1)

where e and c denote respectively the price elasticity of demand and incremental pumping cost facing the seller. (e/e-1) is a measure of the monopoly power enjoyed by a seller. Empirical studies reveal a number of factors that may influence the extent of monopoly power enjoyed by water sellers in different regions as shown in Figure 1.

These inferences imply that the economic behaviour of the 0.9 million private pumpers in India can be influenced by using a mix of several public policy instruments aimed at affecting either the monopoly power of water sellers (e/e-1) or the incremental pumping costs facing them (e) or both. They also imply that many of the policies in force have powerful efficiency and equity effects operating through the markets which the policy makers have not recognised [Shah 1987].

#### II Profile of Villages Studied

The field work results described in this paper attempt to explore some of these hypotheses on the basis of intensive field study of two villages and also by drawing upon the work done by other researchers. The villages from Andhra Pradesh and Gujarat selected for this purpose are comparable in that (a) both have abundant continuous aquifers located at a depth of 14-18 metres and constantly recharged by canals and/or rivers, (b) both have canal irrigation available to a few of the farmers, (c) both

have highly developed ground water markets with powerful impact on their agricultural economics, (d) both have irrigation induced eash-crop orientation in farming facilitated, in both cases, by the proximity to welldeveloped market centres, and (e) both are located in districts which are among the more prosperous ones of their respective states. The major differences between the two villages are two: (a) Anklav in Kheda district of Gujarat is nearly five times as large as Pandalparru (dist: West Godavari, state: Andhra Pradesh) in terms of population, number of households and farm lands and (b) the Anklav farmers have preferred to establish 150-180 feet deep tube wells to secure a high discharge rate of 75-1,00,000 litres/hour where as the Pandalparru fariners get modest discharge rates at 50-60 fect using a somewhat inexpensive device called 'filter point'.

Pandalparru has 85 filter points (or shallow tubewells); each consists of 40-45 feet long pipe inserted into the ground and covered by 18 feet long screens which prevent the sandy soil from clogging the pipe. Although the recharge to the aquifer from river Godavari and the Pandyala canal has been substantial, water table has fallen by about 10-15 fect over the past 20 years. Over the past three years the ground water department has declared the area 'grey' (areas where 65-80 per cent of the known ground water potential is developed) and issuance of further electricity connections has been considerably slowed down except reportedly

FIGURE 1: KEY DETERMINANTS OF MONOPOLY POWER IN GROUND WATER MARKETS

Low Monopoly Power	High Monopoly Power
a) High and stable rainfall	a) Low and erratic rainfall
b) Abundant aquifer close to the surface	b) High depth to the water table
c) Low cost of WEM installation	c) High capital cost of WEM installation
d) High WEM density	d) Low WEM density
e) No spacing/licensing norms	e) Stringent spacing/licensing norms
f) Crops using large quantity of water	f) Crops using small quantity of water
g) Efficient state tubewells; access to canal water; access to electric power	<li>g) No canal water, none or inefficiently managed state tubewells; no electricity</li>
h) Use of lined water conveyence system to irrigate distant farms	h) Use of unlined field of channels for transporting water to distant fields.

to those who can offer substantial unofficial premium (of up to Rs 10,000 per connection). In Anklav, the installing of a deep tubewell, bigger motor, construction of a pacca shed and laying of underground pipelines to convey water typically result in substantially higher investment per WEM than in Pandalparru. Here, too, siting regulations make it somewhat difficult for potential WEM owners to install electric WEMs. However, Anklav has two state tubewells and three panchayat tubewells with fairly large potential commands to supplement ground water irrigation provided by private WEM owners.

Both the villages have a 30 year old history of ground water irrigation as also of water transactions amongst farmers. In Pandalparru the choice of motive power for lifting ground water has been dictated largely by the comparative economics of using diesel vs electricity for pumping. In 1975, for example, when the pio rata price of power was raised to Re 0.16 per unit, many farmers switched to diesel engines; later in 1982, as the Telugu Desam government switched from the pro rata power charge of Rs 50 per lip per year, many owners of diesel WEMs decommissioned their diesel engines and began to buy water from those with electric WEMs. In Anklay, on the other hand the total absence of diesel WEMs is explained mainly in terms of the high discharge rates obtained through greater draw-down and long hours of operation per year, for both of which electric submersible turbine motors are believed to be more suitable and efficient.

In Pandalparru, introduction of irrigation

during the 60s and 70s brought about major changes and diversification in the cropping pattern from rainfed paddy and maize in favour of lucrative water loving perennial crops like banana and sugarcane and to double cropping of land on a major scale. In Anklav, on the other hand, tobacco-cotton which have always been a preferred crop mix gave way to sugarcane-banana-paddy combination during the 1970s; but the primacy of tobacco-cotton come to be re-established in more recent years mainly in response to, we believe, the changing economics of ground water irrigation.

Table 1 shows the enormous difference in the investments involved in ground water irrigation for a sample of WEM owners drawn from the two villages. The substantial investments made by Anklay farmers in pipelines indicates a strong economic incentive to (a) reduce seepage losses and power cost and (b) be able to sell water to more and distant farmers. The private rate of return on investments in pipelines here is very high because of a high pro rata power price of around Re 0.80 (December 1986) per KWH. In Pandalparru on the other hand, electric WEM owners pay a flat rate for power linked to the hp and, therefore, charge for water on the basis of crop acre irrigation rather than on the basis of actual power or water used. As a result, investments in pipelines are uneconomic and, therefore, less are made

The relatively high investment required in WFM establishment explains the strong scale bias in WEM ownership in Anklav (Table 2); 22 out of 26 WFM owners in Anklav are medium and large holders. In

Pandalparru, in contrast, where capital requirements are low, half of the WEMs owners are small and marginal farmers. The profile of the water buyers is, however, quite comparable-dominated as it is, by marginal and small farmers in both the villages.

The figures in parentheses in Table 2 also show that the holdings of the sellers are, in general, far more fragmented in Anklav than in Pandalparru; as a result many sellers of water in Anklav are also buyers in those of their parcels where they do not have WEMs. A few large farmers in Pandalparru, on the other hand, have put up WEMs in 2 or 3 parcels because the cost of doing so are nowhere as high as in Anklav.

Out of 85 owners of WEMs in Pandalparru, a few did not have surplus pumping capacity; however, there were many who wanted to sell but could not do so for the want of buyers. On an average, a seller supplied weater to 2.6 buyers in addition to irrigating his own land; a large farmer seller served more buyers but small and marginal farmer sellers irrigated more of the buyers' land. In Anklav, all owners of WEMs sell water; each seller serves an average of 16 buyers of whom are marginal and small farmers. However, the number of buyers served and acres of buyers' land irrigated per every Rs 10,000 of original investment in WEMs are not very different in the two villages. Because of the high initial capital requirement, several WEMs in Anklav are owned jointly by groups of farmers who also sell water to other farmers. Many of these groups call themselves water companies, issue printed receipts and manage their operations quite professionally. Accounts are kept of all the transactions (which must be quite complicated because one such company sells water to over 150 buyers). Some companies provide free water to partners; some others charge them full price and share the profits among partners at the year end.

Anklay has a truely massive ground water business. The 26 private sellers provide nearly 1100 acre seasons of Irrigation to a fifth of the farm lands of the village through the enormous and complex network of privately laid underground pipelines. The 34 Pandalparru sellers too irrigate roughly a fifth of the village's farm land. However, the differences between the two situations are wide as shown in Table 3. The most important difference between the two villages is that the average cost of irrigation per acre season for the buyers of Anklav (Rs 681) is over four times as high as it is in Pandalparru (Rs 169); the average price per hour of water supplied in Anklav (Rs 25.2/hour) is nearly 8 times as high as it is in Pandalparru (Rs 3.04); the average price per hp hour in Anklav (Rs 1.28/hp hour) is 3.88 times higher than in Pandalparru (Rs 0.34/hp hour). Naturally, an average Anklay seller carns a gross revenue of nearly Rs 30,000 per year just from sale of water enough to pay back the original investment in a little over 3 years. In comparison, in

TABLE 1: AVERAGE INVESTMENTS IN WEMS: PANDALPARRU AND ANKLAY

(Rs/WEM)

	Pandalparru		Anklav
	Electric	Diesel	Electric
Well construction	847	2253	34104
2 Pumping plants	3742	3057	28098
3 Pipelines	2769	-	16400
4 Total	7358	5310	88602
5 Average depth of well	60 feet	60 feet	160 feet
6 Average hp/WEM	7.54	6.0	21.5
7 Sample size	13	7	26

Table 2. Landholding Profile of WEM Owners and Water Bryles

Pandalparru				Anklav				
Well Owners		Water Buyers		Well	Well Owners		Water Buyers	
No in Sample	Average Own Land	No in Sample	Average Own Land	No in Sample	Average Own Land	No in Sample	Average Own Lane	
7	1.1	56	1.47			61	1.31	
11	3.15	11	1.62	4	3.36	45	(1.02) 3.88	
11	(1.85) 6.32	6	(2.0) 3.91	10	(2.9) 7.41	9	(1.6) 5.94	
5	(1.86) 25.2		(3.17)	12	(4.7) 18		(1.87)	
	(3.2)	72	. 70		(7.4)		2.64	
	No in Sample 7 11	Well Owners   No in Average	Well Owners         Water           No in         Average         No in           Sample         Own Land         Sample           7         1.1         56           (1.29)         11         3.15         11           (1.85)         11         6.32         6           (1.86)         5         25.2         —           (3.2)         (3.2)         —	Well Owners         Water Buyers           No in Sample         Average Own Land         No in Average Sample         Own Land           7         1.1         56         1.47           (1.29)         (1.2)         (1.2)           11         3.15         11         1.62           (1.85)         (2.0)         (1.86)         (3.17)           5         25.2         —         -           (3.2)         -         -	Well Owners         Water Buyers         Well on Average Sample         Water Buyers         Well on Average Own In Average Sample         No in Average Own Land         No in Sample           7         1.1         56         1.47         —           (1.29)         (1.2)         —           11         3.15         11         1.62         4           (1.85)         (2.0)         11         6.32         6         3.91         10           (1.86)         (3.17)         5         25.2         —         -         12           (3.2)         (3.2)         —         -         12	Well Owners         Water Buyers         Well Owners           No in Sample         Average Own Land         No in Sample         Average Own Land         No in Average Sample         No in Average Own Land         Own Land	Well Owners         Water Buyers         Well Owners         Water Sample         Water Buyers         Well Owners         Water Buyers         Well Owners         Water Buyers         Water Buyers         Wo in Average Sample         No in Average Own Land         No in Sample         Average Own Land         No in Average Sample         No in Average Own Land         No in Sample         Average Own Land         No in Average Own Land         Sample         Own Land         Sam	

Note: Figures in parantheses indicate average number of parcels per landholding.

Pandalparru, an average seller grosses à modest Rs 1,370 with a pay back period of some 5-6 years.

The extraordinarily high water sales—in terms of acres, seasons, hours and value—by Anklav WEM owners in relation to Pandalparru sellers are explained by the smaller population of WEMs in relation to irrigable land, by substantial investments in pipelines made by WEM owners and by the pressure on them to generate surpluses to cover their relatively high overheads. With such heavy pressure to expand water sales, normally competition among sellers should result in lower prices; this, however, has not happened.

#### III Economics of Water Selling

There were other significant differences in the terms of water transactions in the two villages. In Pandalparru, prices were quoted

TABLE 3: SUMMARY INDICTORS OF THE WORKING OF GROUND WATER MARKETS

	Pandal- parru	Anklav	
1. No of sellers			
sampled	34	26.	
2. Average number of			
buyers per seller	2.6	15.6	
3. Average season acres			
of buyers land			
irrigated per seller			
(acres)	7.8	43.6	
4. Average hours of			
water used by buyers			
per acre	56	27	
5. Weighted average			
cost of irrigation to			
buyers:			
(a) Rs/acre	169	681	
(b) Rs/hour of	204	25.2	
pumping	3.04	25.2	
(c) Rs/hp hour	0.34	1.28	
6. Cost to the buyer of			
irrigating:			
(a) Sugarcane and		2714	
banana (Rs/aero	2) 446	3714	
(b) Kharif paddy	221	***	
(Rs/acre)	221	509	
(c) Rabi/summer	205	773	
paddy (Rs/acre)	285	772	

in 'per acre' terms for different crops; and these prices were loosely related to the hours of irrigation required. The owners of diesel WEMs too quoted per acre prices for the use of WEM and water while the buyer had to separately provide for diesel/oil used for pumping out water. In Anklay, which has only electric WEMs, prices are quoted on 'per hour' terms the standard rate being Rs 25/hour. Many sellers, however, also charged on the actual number of units based on the basis of meter readings. The modal rate was Rs 1.50 per unit. (The actual cost of power being Rs 0.65 per unit during the survey period.)

On the cost side, the two major differences were: (a) the huge difference in depreciation and interest cost on capital investment and (b) while Pandalparru WEM owners pay a low electricity charge as a flat rate per hp, the Anklav sellers pay a much higher charge but on a pro rata basis on actual consumption. In both the cases, however, fixed costs were very important and as a result, economic viability of WEMs depended crucially on hours of operation per year.

As Table 4 shows, average fixed and total costs declined rapidly as hours of operation per year increased. In Pandalpairu, those who achieve high capacity utilisation charged lower prices and shared the benefits of low cost with buyers; but in Anklay, those who operated for over 3,000 hours charged the same price and thus converted their cost advantage into profits.

Although there appears a somewhat stable relationship between average pumping costs and water prices, it cannot explain the exceedingly large water price differences across several regions. A special survey conducted in Thasra, 45 km from Anklav, where the onset of substantial canal irrigation has greatly reduced the bargaining power of well owners, showed that a number of the well owners sold water at Rs 15/hour—60 per cent of the Anklav prices—which was less than their average pumping cost of Rs 20,2/hour.

On the other hand, evidence collected by Copestake [1986] from the water scarce Madurai district in Tamil Nadu showed water sellers enjoying high monopoly power charging a price 2.8-3.4 times the incremental pumping costs. Table 5 presents an array of prices charged by sellers in water

TABLE 4: RELATIONSHIP BETWEEN AVERAGE PUMPING COST AND CAPACITY UTILISATION (Rs/hour of pumping)

•	0-1000 Hours/Year	1000-2000 Hours/Year	2000-3000 Hours/Year	3000 + Hours/Year
1) Pandalparru (electric)				
a) Average cost	4.13	2.30	1.87	
b) Price charged	4.53	3.66	2.55	
2) Pandalaprru (diesel)				
a) Average cost	6.76	6.79	6.24	
b) Price charged	7.84	8.11	7.53	
3) Anklav (electric)		44.40	14.60	14.9
a) Average cost	27.03	22.20	14.50	
b) Price charged	24.95	26.30	25.60	24.6

markets in different regions of India. Notably, sellers using 5-7.5 hp diesel engines for pumping charge enormously different prices in different regions but their costs cannot differ all that much. The only factor that can explain such price differences thus are the differences in the monopoly power enjoyed by sellers and the incremental (not average) costs facing them (Figure 2). Thus owners of electrified tubewells in Gujarat charge so much higher prices than those in other states primarily because the Gujarat sellers pay for power on a pro rata basis while, in all other states, water sellers pay for power an annual flat rate which reduces incremental power cost to zero.

Significantly, in case of both the groups—the diesel WFM owners in Pandalparru and electric WEM owners of Anklav who incur positive incremental power/fuel cost—profit rate (profit/hour) is higher than for all other groups with zero incremental power cost. This is what should be expected since if we substitute w = (e/e-1)c in to a seller's profit function.

 $\pi = w.H - cH - F$  ... (2)

with  $\pi$  and H denoting total profit and hours, of operation per year respectively and  $\mathbf{F}_{i}^{*}$  denoting fixed costs, then we can write profit rate

 $\pi/H = c/(c-1) - F/H$  ... (3)<sup>2</sup> Differentiating this profit rate function with respect to c, we get

$$d(\pi/H)/dc = 1/(e-1)$$
 ... (4),

which implies that for every rupee increase in the cost of diesel or pro rata power tariff: per hour, schlers' profit per hour would? increase by 1/e - 1. Only in the unlikely conditions of e = a will the increase in price be equal to increase in cost. In Anklav, for! example, where we estimated e to be 1.86, every one rupee increase in the pro rata? power price per hour would increase profit rate by Rs 2.14; in Madurai, where e is closer: to unity, a rupee increase in diesel cost/hour, would induce the seller to increase water price by Rs 2.70 per hour. Further, even if diesel and electric WEMs faced the same demand conditions and average costs, the latter would thus always sell at a lower price than the former if electricity was charged for on flat rates. By the same token, if flat power: charges are increased moderately, they would serve to reduce sellers' monopoly power by pressuring them to sell more to cover higher fixed costs. In contrast, when pro rata power. tariffs are increased by a given proportion sellers tend to put up sale prices by the same proportion and, in effect, expand their monopoly surplus considerably. From equil tion (1), by diffcientiation we can write: dw/dc = e/c-1

and the elasticity of w with respect to c'' dw/dc. c/w = e/(e-1). w/c = 1... (6) Since w/c = (e-1)/e. Empirical implications of this relationship is evident from the rapidly increasing profit rate in Anklav area over the past decade as shown in Figure 3.

#### Impact of Water Markets

The effects of the water markets on the well owners in both the villages have been entirely beneficial; the Pandalparru and Anklav well owners could pump 1.5 and 4.5 times more water respectively than they would have in the absence of the market; as a result, capacity utilisation of the wells has been better and the economics of investment in wells more favourable. From the social point of view too, water markets have created substantial benefits by reducing the society's investments in water lifting capacity.

Buyers of water are, however, more important beneficiaries; their gain has significant equity dimension since most of them would not afford their own wells. Buyers of Pandalparru have benefited much more than those of Anklav. In Pandalparru, low water prices and intense competition among sellers have ensured that resource poor buyers have the access to the same enterprise—technology option as well owners have; the differences between the two groups in cropping pattern, input use and yield levels were found to be insignificant and the overall cropping intensity in the village was as high as 280 per cent.

According to the buyers of Pandalparru, these benfits have increased greatly since the Telugu Desam government changed the method of power pricing from a pro rata rate of Rs 0.16/kwh to a flat rate of Rs 5/hp/month in October 1982. Table 6 shows, on the basis of the buyers' recall, the change in the crop pattern and increase in area supplied with purchased irrigation since 1981-82. The maximum increase has been recorded in annual crops like sugarcane and banana considered very lucrative by the farmers, summer crops of groundnut and maize seem to have gained at the expense of some rabi crops.

The switch to flat power tariff in Andhra Pradesh also led to considerably increased demand for farm labour in Pandalparru. Off season wage rates are believed to have increased from Rs 8-10 in 1982 to Rs 15-20 and peak season wage rates have increased from Rs 17-20/day in 1982 to as high as Rs 25-30/day.

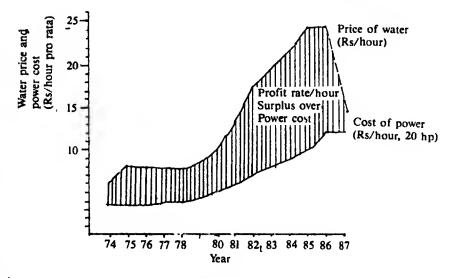
The 200 landless families of the village depended solely on farm labour have found it difficult to cope up with the expanded work opportunities and as a result, in the last two years, outside labour has been coming to the village for 4-6 months every year. The increase in cropping intensity have rendered farm work loads more continuous and thus reduced greatly the seasonal decline in work opportunities for the landless. In overall terms, thus the low cost ground water economy of Pandalparru has been intensive in both farm output as well as livelihoods of the poor.

In Anklay, in contrast, the differences between buyers and sellers in enterprise choices, input use, yield rates, etc, are of a much

. .

Monopoly	Incremental Cost				
Power	Low	High			
Low	Water price: very, low	Water price: high			
	Dependability: high	Dependability: high			
	Adequacy: high	Adequacy: high			
	West Godawari (electric)	West Godawari (diesel)			
	Punjab, UP, Haryana (electric)	Northern Kheda (electric)			
		UP, Punjab, Haryana (diesel)			
High	Water price: moderately high	Water price: very high			
-	Dependability: moderately high	Dependability: low			
	Adequacy: moderately high	Adequacy: low ·			
	Madurai, Karimnagar (electric)	Gujarat (electric), Madurai,			
		Karimnagar (diescl)			

FIGURE 3: RELATIONSHIP BETWEEN PRO RATA POWER COST/HOUR AND MARKET PRICE OF GROUND WATER ANKLAY AREA



ltigher order. Here, the average fertiliser use by the buyers is less than a fifth of the very high amounts that sellers use; their use of water (in kharif and annual crops) is 30 per cent lower than sellers; and the average crop yields that buyers obtain, are only 50-60 per cent of the yields that the sellers obtain. If we use our earlier definition of acre season, then the cropping intensity works out to 208 per cent for sellers and 193 per cent for buyers. These figures conceal the greater differences in the role that purchased irrigation plays in the economics of farming as shown in Table 7. Anklav buyers' main disadvantage is low gross value of output per acre explained, in the main, by the choice of less lucrative crops and; low fertiliser use both induced, at least in part, by high incremental cost of irrigation with purchased groundwater.

As we noted earlier, ground water prices in Anklav have shot up some 2.5 times in the past 10-12 years in response to successive increase in pro rata power charge. As a result, although the total area irrigated has marginally increased, the composition of crops irrigated by ground water has undergone major changes since 1981 when water

prices began to soar rapidly. Water intensive and high return cash crops such as banana and vegetables have given way to eash crops like tobacco and cotton which need less water but have uncertain returns; likewise, in food crops, paddy and wheat have lost ground to bajri. The crops which have reduced in importance were also more labour intensive; all those which have gained in land seem to use much less labour. Also, bajri, which has gained substantially, offers far less income per acre; and so do cotton and tobacco in comparison to banana, papaya, potato and other fruits and vegetables which they have replaced. In all these senses, thus the rapidly pro rata power price has reduced the livelihood intensity of the ground water markets in Anklav, especially when one notes that over 95 per cent of water buyers who have borne the brunt of this rise are small and marginal farmers. From a broader social point of view, this decline is unnecessary and avoidable since Anklav, as indeed most of the villages surrounding it, has plehtiful groundwater which can support the kind of output and equity intensive ground water development that Pandalparru has secured.

#### Implications for Policy

At macro-level too, available evidence vindicates our thesis about a strong negative relationship between incremental power eost and the average level of tubewell operation. In Andhra Pradesh as a whole, average annual power consumption per tubewell stagnated between 1969-75 period (2186 KWH) and 1975-82 period (2232 KWH) but shot up to 3294 subsequently after flat rates were introduced in the end of 1982; in Gujarat, on the other hand, average power use per lubewell declined from 6664 KWH per year during 1974-78 period to 5790 KWH during 1979-81 period and then to 5205 KWH during 1981-86 period. As a matter of fact, regression analysis of power use per tubewell (K) on incremental power price (P in Rs/KWH) and rainfall (R) using 1974-86 data produced following results:

Andhra Pradesh

(1) K = 
$$3500-6924 P-0.31 R$$
; R<sup>2</sup> =  $0.68$   
(-521) (-0.84)  
(2) K  $3025-134.7 P-0.8 R+1009 D$ ;  
(1.013) (1.08) (3.6)  
R<sup>2</sup> =  $0.74$ 

Gujarat (1) K · 9201-456 P- 2.2 R;  $R^2 = 0.68$ (- 3.78) (- 2.84)

In case of Andhra Pradesh, a dummy variable introduced in the second regression for the period during which flat rate was in force, rendered both rainfall and earlier pro rata price statistically insignificant, and showed that the switch to the flat rate increased K by 1008 units per WEM (by nearly 50 per cent) over an average value of 2200 KWH per WEM. In Gujarat, on the other hand, every 10 paise increase in power price per KWH has reduced average power consumption per well by 456 KWH, area irrigated per electric WEM by 1.4 aeres (assuming 400 hp hours needed to irrigate an acre); and reduced total area irrigated by the 3.2 lakh electrified wells of Gujarat by some 4.5 lakh acres and results in the loss of farm output worth some Rs 80 erore. Since the bulk of the farm output lost is what might have been produced by the resource poor water buyers, it becomes all the more important to stress that the pricing of power for lift irrigation can have enormous output and equity effects.

An important policy implication of our analysis thus relates to the pricing of electric power. In Andhra Pradesh, Tamil Nadu, etc, where flat power rates are heavily subsidised, the viability of electricity boards can be improved without hurting the welfare of resource poor farmers by moderate increases in flat rates. Comparison across several states indicates that in Uttar Pradesh where flat rates charged are over four times as high as in Andhra Pradesh, private water prices are only 1.5-1:3 times higher. Contrary to the general perception among political leaders, subsidised flat rates can achieve less equity

TABLE 5: RELATIONSHIP BETWEEN SALE PRICE OF WATER, MONOPOLY POWER AND INCREMENTAL.

	Cala Dalas at C	1 11
Power		High Incremental Cost of Water Extraction
		Rs 7.5/hour Diesel: 7.5
Low	Rs 4-6/hour Electric: 5 hp Flat tariff: Punjah Rs 180/ hp/year UP: Rs 260/hp/year	Rs 8-10/hour Diesel 5 hp
low	Rs 6-7/hour Flectric: 5 hp Flat tariff: Punjab Rs 180/lip/yr Bihar Rs 145/hp/yr	Rs 10-12 hour Diesel: 5 hp
Low		Rs 15/hour Diesel 7.5 hp Rs 15/hour Electric 21 hp Pro rata tariff Re 0.7
Moderate		Rs 14/hour Disel 5 hp
Moderate		Rs 25-28/hour Electric: 21-25 hp Pro rata tariff: Re 0.70 KWH
High		Rs 16-18/hour Diesel 5 hp
High		Rs 35-41/1 hour Flectric: 3-35 hp Pro rata tariff: Re 0.70 KWH
Very High	Rs 4.5 hour Electric: 7 5 hp Flat tariff: Rs 48/hp per year	Rs 18-21/year Diesel: 5 hp
	Power  Very low  Low  low  Low  Moderate  High  High  Very	Water Extraction  Very low Rs 2.9-3/hour Electric: 5-7.5 hp Flat lariff: Rs 48/hp per year Low Rs 4-6/hour Electric: 5 hp Flat tariff: Punjah Rs 180/hp/year UP: Rs 260/hp/year low Rs 6-7/hour Flectric: 5 hp Hat tariff: Punjab Rs 180/lip/yr Bihar Rs 145/hp/yr Low  Moderate  High  Very Rs 4-5 hour High Electric: 7 5 hp Flat tariff: Rs 48/hp

TABLE 6: INCREASE IN AREA IRRIGATED WITH PURCHASED WATER AFTER THE INTRODUCTION OF FLAT POWER TARIFF IN OCTOBER 1982; PANDALPARRU

	1981-82 (Acres)	1984-85 (Acres)	Per Cent Change
Area under annual crops (Sugarcane, banana, etc)	24.54	58.34	137.7
Area under kharif crops	82.80	98.21	18.6
3 Area under rabi erops	51.30	37.85	-26.2
4 Area under summer crops	2.50	lt.75	370
5 Season acres irrigated	210.20	322.83	53.6

TABLE 7: ECONOMICS OF IRRIGATION WITH PURCHASED GROUND WATER
PANDALPARRU AND ANKLAV<sup>1</sup>

	Pandalparru Pandal		Anklay		
	Sellers	Buyers	Sellers	Buyers	
1 Average value of output/acre (Rs)	7986	7302	5428	2620	
2 Average cost of irrigation (Rs)	195 (326) <sup>2</sup>	340	380 (619)	723	•
3 Cost of irrigation as per cent of value of output	2.44 (4.1)	4.7	7.0 (11.4)	27.6	

Notes: (I) These figures represent the entire year.

(2) Figures in brackets refer to opportunity costs of water used on own farm as defined by sellers. than moderately high flat rates which, in addition, will improve the viability of electricity boards. Progressive levy of flat charges would be ideal from equity view point since small holder WEM owners, normally using low hp pumps, will be directly benefited.

In Gujarat, our analysis meant that private water prices would decline substantially if pro rata tariff was replaced by flat rates and, thereby, many of the inequities observed in Anklav could be eliminated Events subsequent to this analysis confirmed pur expectations. In June 1987, Gujarat government adopted progressive flat power rates in place of pro rata tariff. Although, the full effects of this change will need time to work out, private water prices all over the state have fallen by 25-60 per cent and this has made it somewhat easier for the resource poor buyers to survive the 1987 drought Shah 1987b for more details.

Several objections can be raised to the policy of charging flat tariff for power. Flat tariff is blained for unviability of electricity boards; in our view, subsidies on power rather than flat tariffs are the culprit. Flat sariffs can in fact improve their viability by eliminating the substantial metering and policing costs incurred by most electricity boards and by removing the incentive to pilfer power [REC 1981]. A more valid apprehension is that flat tariffs would result in over-exploitation of ground water resources in water-stress areas. In our view,

using progressive flat tariffs to keep water prices low and promote equity and judicious controls on the supply of power to contain total ground water withdrawal may be for more effective than using high pro rata tariff to control withdrawals. Current experience in many parts of Gujarat indicates that the latter may not be possible; even if it is, it shifts almost the entire cost of maintaining the ecological balance on the resource poor water buyers.

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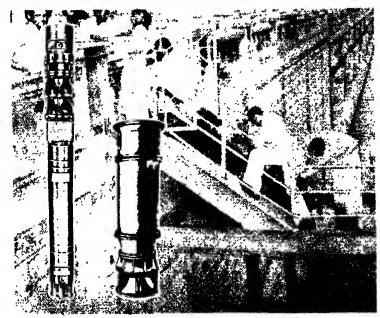
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# Morphology of Grazing and Its Crisis in Sedentary Communities

#### A Damodaran

This paper attempts an analysis of the specificity of the grazing crisis faced by sedentary village communities possessing livestock, a crisis which has two facets, viz, deteriorating common village pastures and other grasslands and abject famishment of livestock. The mode of analysis adopted is to first of all examine the morphology or 'natural' essence of grazing in its spatio-temporality and then proceed to examine why the natural essence is not tapped in sedentary grazing due to the social factors governing the spatio-temporality of livestock in these communities.

1N many ways, Garrett Hardin's poignant parable on the 'tragedy of the commons' was an eye-opener as it served to highlight the adverse effect of over-stocking on the ecology of the grasslands.1 The recent studies on the shrinkage of commonproperty resources in India have served to complement Hardin's 'tragedy' by bringing out the negative effects of crowding of livestock in the few surviving grasslands.2 The underlying point sought to be established in all these contributions, is that of a decreasing grazing land to cattle ratio contributing to the phenomenon of overgrazing and ecological degradation of grasslands. Perhaps this is the best explanation of the phenomenon of over-grazing in general terms. But it one takes a closer look at the grazing crisis faced by sedentary village communities one finds that the deterioration of village pastures has also been brought about by an enforced, localised exploitation of these common property resources than by a mere decline in grazing land to eattle ratio. This is due to the specific nature of man-livestock relations evolved in these communities which on account of its associated spatio-temporal features causes grazing to be artificially restricted to a small area in and around the villages. This paper attempts at an analysis of the specificity of the grazing crisis faced by sedentary village communities possessing livestock-a crisis which has two facets, viz, the deteriorating common village pastures and other grasslands and the abject famishment of livestock. The mode of analysis adopted in this paper is to first of all examine the morphology or the 'natural' essence of grazing in its spatio-temporality and then proceed to examine why the natural essence is not tapped in sedentary grazing due to the social factors governing the spatio-temporality of livestock in these communities.

Being essentially an analytical exercise, the focus of this paper is more on eoncepts, categories and processes drawn from theoretical ecology, energetics and economics. This does not divorce the paper from a secondary empirical content; particularly in describing the grazing system pursued by village communities. Information about the socioeconomics of grazing and other natural appropriation activities of sedentary communities as culled out from various field

studies are used in this paper to substantiate certain arguments.

The paper is divided into the following sections. The first section discusses the morphology of grazing in its dialectical essence. The focus in the second section is on the ecologic ordering of herbivore space and movements that flows from the dialectie of plant-animal relationship. The third section introduces the factors and significance of man's control over livestock and his reliance on the natural form of animal consumption grazing. The fourth section examines how man alters the spatio-temporality of livestock, through his control over them. In the fifth section titled, 'The Rigidities of Hagerstrand Limits', the spatio-temporal rigidities of human activities in general and grazing in particular are elaborated at the outset. This is followed by an analysis of the degree of applicability of these limits on sedentary grazing. The sixth section is just a detailing of the consequences of the limits of sedentary grazing on ecology of the grasslands. The concluding section reexamines the perspective of the problem discussed and the central issues raised in the

I

#### The Morphology of Grazing

There are two ways of perceiving grazing as a process, economic and ecologic. As an economic process, grazing can be conceived as the appropriation and consumption of naturally produced bio-mass by animals. Ecologically conceived, grazing, represents transfer and transformation of plant energy into animal energy. Just as it is fallacious to consider "consumption" as a "destructive antithesis to production", it would be irrational to view grazing by herbivores/ livestock as essentially inimical to plant life.3 On the contrary, production holds a dialectical relationship with consumption and the best exposition of the productionconsumption dialectic is contained in the following, exposition of Marx.

Consumption accomplishes the act of production only in completing the product as product by dissolving it, by consuming its *independent material form*; by raising the inclination developed in the firm act of production through the need for repetition, to

its finished form (emphasis added).4

The ecological perspective of grazing as a system of energy flows however serves better to illuminate the significance of Marx's above-quoted remark. Therefore, it is essential to elahorate the energetics of grazing.

As a natural system of energy flows, grazing is the culmination of a process of transfer and transformation of natural energy into animal energy, a process which is mediated by two stages. The first stage occurs when natural energy in the form of, sunlight and moisture is trapped and converted into plant energy. The second stage is the transfer and conversion of plant energy into the animal energy, the second stage made possible by grazing of plants by animals.5 The process which converts natural energy into plant energy is photosynthesis. But not all energy that is induced through the process of photosynthesis is transferred to animals A portion of the energy produced in plants is used for their self-reproduction or respiration and is vital for ensuring the survival of plant life. The portion of energy in excess of the reproduction/respiration need forms the basis of animal sustenance. In ecological science, the total energy fixed by plants is termed 'Gross Primary Productivity' while the portion of the energy in excess of respiration needs is termed 'Net Primary Productivity'.6 The process of energy flows outlined represents a smooth dialectical reltionship between plants and animals and it is obvious that the production of plant energy is not complete until and unless it is transferred to animals.

The question that has now to be probed into, is what holds or sustains the dialectical relationship between plants and animals? For this, we revert to the emphasis in Marx's remarks on the term 'independent material form'; as this gives the clue to the conditions essential for the dialectical relationship between production and consumption to hold. Going by Marx's statement a product becomes a product or achieves its 'final finished form'. In the case of plant energy produced in the grasslands the portion of energy utilised by the plant itself for its respiration needs is not independent of the plant, insofar as the latter consumes them. It is only the net primary productivity which is truly 'independent' of the plants' needs that constitutes the 'independent material form' for animals to consume.

The process by which a product attains its 'independent material form' is the physical process of its production. Therefore, it would be necessary to delve into the process by which net primary productivity gets formed in grasslands. As pointed out earlier, plants trap natural energy and convert it into plant energy. To get into the dynamics of this "trapping and conversion process" we decompose the twin process into its partial process, <sup>7</sup> the trapping process and the conversion process and consider them separately.

The rate at which energy is trapped from nature depends on seasonal availability of sunlight/moisture. In the monsoonal grasslands, thic onset of monsoons gives a spurt to the trapping process as compared to other seasons; such as winter seasons in southern Deccan. The intra-seasonal variations in 'trapping' of natural energy affects the production process in grasslands,

Now if we consider the conversion process of the trapped energy, we notice that the rate of photosynthetic activity is crucial here. But again the point is that temporality has to be ensured for the trapped energy to get converted into NPP for the subsequent flows to animals.

The fact that emerges from a decomposition of the trapping conversion phenomenon in its partial process is the central aspect of temporality. While the rate of trapping has a greater temporal dimension expressed in seasons, the rate of conversion of the trapped energy is also distanced by time, albeit of a smaller magnitude. It follows that one of the most important requirements of plant energy production in grasslands in its 'independent material form' is the time factor; and production time can only be ensured by the deferment of grazing in grasslands both inter-seasonally and intra-scasonally. How this is secured in natural conditions shall be explained next.

#### H

#### Ecologic Ordering of Herbivore Space and Movements

Temporal respite from grazing is basically secured in nature through animal movements across and over space. Animal movements in its different forms imply treatment of space in different ways. It is possible to conceive of space in two ways:

i) as a container or a volume, occupied by objects of a continuous nature diffused over it:

ii) a system of relations of places or points occupied by objects which are discrete and 'individual'. Closely associated with the second notion of space is the concept of 'betweenness or distance'.

There are fundamentally two types of animal movements diffusion and migration. 10 Diffusion is the process by which the

animal fills over space or uses space as a volume. Grazing is performed by animals through a process of diffusion. Migration on the other hand, is a movement across space and is from one place to another. Migration, carries with it the notion of distance; and can rightly be considered a distance covering movement.

It is by performing the two types of movements that animals ensure temporal respite to grazing in grasslands where the production process has decelerated due to the low rate of trapping on account of seasonal factors or in grasslands where temporal respite is necessary for converting the trapped energy into the 'net primary productivity'. Diffusion, as a movement ensures that the same patch is not subject to incessant grazing within a season. Migration as a movement ensures that grazing is rotated from a grassland where production process has decelerated or stopped, to another one in which the process is on. The functional significance of the two kinds of animal movements to the ecology of the grasslands and in holding the dialectical relationship between plants and animals requires no further emphasis. It may however be noted, that migration is the dialectical opposite of diffusion. For migration to occur livestock should cease to be diffused, i e, fusion of diffused material is a pre-condition for migration. In natural conditions the temporal separation between animal diffusion and their fusion forms a season since migration is only a seasonal activity. This large temporal separation between diffusion and fusion of animals naturally causes diffusion to be of a large order, sufficient to ensure the much needed temporal separation for converting the trapped energy. In such circumstances the only factor that can restrict animal movements in natural conditions is the availability of space/habitat for effecting the movements.

#### Ш

#### Man, Livestock and Grazing

Man controls and possesses animals for a variety of causes. Animals possessed by man are called livestock as they are of great functional significance to him. A nomad holds livestock as it is the main source of livelihood to him. A sedentary agriculture community also rears and maintains livestock in large numbers because of its multifarious uses. Animal proteins such as milk and meat are consumed/exchanged by humans. In agriculture communities, draft energy of bullocks is a must for performing agriculture operations. Again, animal wastes serve as an important source of manure in these communities. Apart from these 'output' functions animals serve as a source of store value. This factor is of great relevance in explaining livestock holdings both by nomad pastoralists as well as sedentary peasant communities particularly inhabiting, the marginal environments. This

'practice of storing animals on the hoof as insurance'11 from a bad agriculture year explains to a great extent the phenomenon of overstocking among sedentary farmers of the semi-arid and arid zones. This also explains why cattle are found in famished conditions in these zones. The paramount objective of a poor livestock owner given his low endowment of land is only to ensure the non-perishability of his stocks through a marginalised feeding strategy of feeding them with the bio-mass of the village commons which "permit neither exclusion nor discrimination with respect to its access". 12 A reliance on fodder of the commons for feeding does not automatically pre-suppose grazing. For, it is conceivable for the livestock owners to appropriate the naturally available fodder of the commons themselves for feeding the cattle at their stalls. Grazing is resorted to by man because of his other advantages. For one thing, grazing is one activity in which appropriation and consumption are unified over space and time. This is unlike in the case of fishing and hunting, where 'resources have to be found, collected and converted into consumable items'. 13 Hence appropriation is separated from consumption in space and time, requiring the mediation of labour process to connect them. The advantage of grazing is this saving of labour process, which would otherwise have been expended in finding, cutting and transporting fodder to the stalls for feeding the stocks. This advantage applies to both the nomad pastoralist as well as the poor scdantary livestock owner, though it must be stated that the necessity to secure this advantage is paradoxically greater for the scdentary farmer, given the specificity of man-livestock relations in sedentary communities. This point will be however elaborated later.

#### IV

#### Social Ordering of Livestock Movements

As noted earlier, the two forms of livestock movements, viz, migration and diffusion form dialectical opposites. Migration of animals follows dialectically from the fusion of diffused animals. The point of diffusion and fusion of animals is determined by natural laws in the ecologic ordering of livestock movements. The cessation or deceleration of production in one grassland at the end of a season causes diffusion to be transformed into a fusion of animals which migrate towards another grassland where the production process of plant energy is on.

When man controls animals and converts them into livestock for use or exchange, he brings about a re-ordering of livestock movements to suit his needs. Since livestock is deemed to be both a means of production and store value, it is kept in the household which represents a point in space. When man grazes his cattle in the pastures, he treats

them as a diffused object. The former expresses the principle of individuation characteristic of property in human society. The central feature of grazing in human societies is the separation of livestock production/storage from livestock consumption in space and time. This spatial segregation arises from the particularities of social spacing In sedentary communities. 14 Therefore, the diffusion of livestock from its status of a discrete entity is mediated by distance separating the household from the grazing 'place'. This calls for a migratory movement between the two places to link up livestock energy-giving activities with energy-gaining ones on a diurnal basis. This is in marked contrast with animal movements in the wild, where diffusion is the rule and migration a seasonal exception. Since, migration precedes grazing of livestock in human communities (and also follows it) as a diurnal activity limited practically to a few hours in a day, the diffusion of animals in the grazing grounds will not be, "apparently aimless, undirected movements of animals that seem to be wholly random"15 but will be rather a directed diffusion directed by migration space and time as also the spatio-temporality of the labour employed in grazing the stock. The spatio-temporal constraints of migration and that of the human labour is best exemplified in the three Hagerstrand limits to be discussed next.

#### V

#### Rigidities of Hagerstrand Limits

Hagerstrand<sup>16</sup> sets out seven constraints of human activity in space and time. Of the seven, three stand out as significant to human grazing of livestock in general and sedentary community grazing in particular. These constraints are:

- i) Limited ability of the human being to take part in more than one task/activity at a time.
- ii) The fact that energy activity has a duration.
- iii) The fact that movements between points of space consumes time.

The first constraint engenders the need for a division of labour within a household, i e, the division of household labour Into basically two categories—one performing the primary production activity and the other looking after the domestic chores. Though "we cannot segregate work in the different spheres to different categories of people",17 it remains a fact that labour employed in domestic work has a residual character and general domestic work is assigned to these members of the household not in a position to contribute to the primary production activity. The second constraint has a great bearing on grazing in human societies in two senses. In the first sense, this constraint underscores the fact that grazing of livestock like any other activity requires a certain duration to be performed. In its second sense, this constraint can be taken to mean that labour process performed by man is restricted to a few hours in a day. Hence grazing or for that matter any other activity cannot be performed by labour in excess of its physiological limits. The third constraint is applicable to the extent that it serves to emphasise the temporality of migration of animals from the household to the grazing place and vice versa.

In the case of nomad pastoralists the Hagerstrand limits are not constricting as in the case of sedentary communities for the reason that livestock form the basis of its primary production activity and labour input devoted to grazing is 'production' labour. Further, since livestock sustenance through grazing is given the strongest emphasis.

The Hagerstrand limits however operate rather unkindly in the case of sedentary communities because of the twin specificities of man-livestock relations in these communities. The first specificity of manlivestock relations arises from the fact that unlike nomad pastoralists livestock is viewed as a secondary factor or at best a complement to agriculture the primary production activity in sedentary communities. The labour devoted to grazing and upkeep of livestock is generally domestic labour, which as pointed out earlier, has a residual characteristic. The capacity of residual labour to perform any activity is limited in scope and hence the output achieved by this labour in a day is limited.

The second specificity of man-livestock relations is the permanence of the household in sedentary societies. The zone of livestock storage/output (the household) is unlike in the case of the nomad pastoralists spatially fixed and tied to agriculture. This would imply that any increase in the radius of grazing would cause an increase in distance both in its absolute and relative dimensions.

These specificities cause the Hagerstrand constraints to operate to a greater degree in sedentary grazing. The first specificity of man-livestock relations existing as an adjunct to the primary production activity, agriculture, causes less labour time and labour energy to be devoted to grazing by labour engaged in agriculture. In fact in some regions the cultivation season directly clashes with the grazing season. <sup>19</sup> All these factors serve to re-inforce the first Hagerstrand limit of limited ability of a human being to engage in more than one activity.

Even when grazing is assigned to domestic labour, the Hagerstrand first limit operates because domestic labour involves the performance of a host of functions such as cooking: washing, collection of water and firewood, apart from grazing and it would not be physically possible for women or children to devote long hours for grazing. Secondly, notwithstanding the fact that the "structure of agriculture farming determines labour absorption, sex-wise and age-wise", 20 residuality of domestic labour is manifest in

its typical feature, in children. Though there are communities where children arc preferred for livestock upkeep, this is not always due to the fact that they like and are capable of performing satisfactorily the job of animal carc21 as much as the fact of their residuality which forces them to attend to animals. Though animals care does not perforce mean grazing, incidence of child participation in grazing has been reported for some areas in India.22 But the point is that. irrespective of the fact that children may be exclusively given the work of taking cattle to the field on a daily basis, the Hagerstrand limits are not entirely overcome. For children, because of physiological reasons, have shorter activity duration in a day and also perform the task of herding animals slower than adults. Therefore, as per the second Hagerstrand constraint while an activity has a duration the same activity performed by children require a greater dura-.. tion. Thus, to migrate a given distance, children require greater time than say adults. Coming to the second Hagerstrand condition in its second sense the duration can be seen, the labour activity in a day, it may be noted that labour as an activity performed by children is limited compared to that of the adults.23 While an adult can perform. say eight hours of labour a day, a child may be able to perform only for half this time.

Now, if one considers the second specificity of the fixity of the livestock production/storage zone, it is seen that the limiting feature of the third Hagerstrand condition, "movements between points of space consumes time", is directly attracted. If the household is shiftable from one point to another as in the case of a nomad, the relative distance between the household and the grazing ground could be reduced, decreasing the time on migration.

The central point that emerges from the points explained in foregoing paras is that sedentary communities are faced with certain structural limits which work to particularly increase the diurnal migration time of livestock.

The spatiality of labour, the limits of the labour-time and the fixity of the household, all contributes to this increase in 'across' movements spatio-temporally. The direct impact of this problem of migration is on. diffusion, the real grazing process; which is reduced in space and time, due to the migration factor. What is more, the spatiotemporal point of livestock diffusion and fusion occurring in a day during grazing is determined by the spatio-temporality of labour and the location of the sedentary household. To this extent, diffusion acquires: a directed character instead of the 'aimless'. 'random' character as in natural conditions' of herbivore grazing. Perhaps the best iles lustration of these aspects is contained in Figures 1 and 11.

Both the figures have space and time as the co-ordinates, since, the purpose of their use here is to illustrate the phenomenon of



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FIGURE 1: MIGRATION TIME AND DIFFUSION OF LIVESTOCK

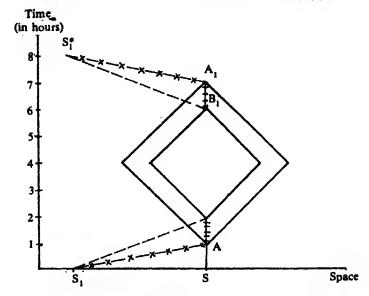
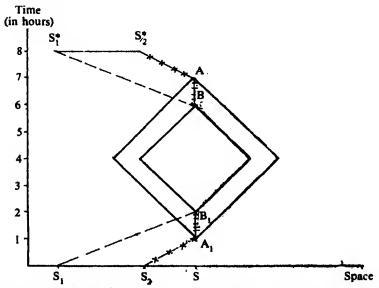


FIGURE 2: MIGRATION SPACE AND DIFFUSION OF LIVESTOCK



grazing in its spatio-temporal dimensions. The prisms employed in the figures represent the diffusion of livestock, the boundaries of the prism indicating the extent of diffusion permissible from the point of diffusion given the temporal limits of labour in grazing.<sup>24</sup>

It is assumed in both figures that the total labour hours devoted in a day to herding and grazing of livestock is eight hours. In Figure I it may be seen that a herder moving from his household can reach the spatial point of diffusion at 'A' if the migratory journey takes him one hour. Alternately, he reaches the point of diffusion at 'B' if he takes two hours to perform the same migratory journey. In the first case, since the migration time is only one hour, one way, the total migration time needed is only two hours for the two-ward journey from the household and back. This would imply that he gets six hours as diffusion time for his

stocks; and this is reflected in the range of diffusion  $A-A_1$  as depicted by the larger prism. ( $A_1$  is the spatio-temporal point of fusion of the diffused stocks in the evening.) On the otherhand, if the total two-way migration time is 4 hours (as in B) diffusion time is reduced to just 4 hours reflected in the smaller prism B-B. The broken lines  $S_1-A$  and  $S_1-B$  at the bottom and  $S_1^*-A_1$  and  $S_1^*-B_1$  at the top serve to illustrate the migratory journey from and to the household.

The point to be noted, however, is that though  $S_1$ —A and and  $S_1$ —B denote the same physical distance, the former is longer than the latter because of the extra time taken to cover the same distance. This is quite possible given the differences in spatiotemporal characteristics of child labour from adult labour; described earlier.

Coming to Figure II, the idea sought to be depicted is how a shift of household

closer to the point of diffusion can increase diffusion in space and time.

It will be clear from the illustrations that an increase in migration time, decreases diffusion time and vice versa. This is mainly because labour-hours devoted to grazing in a day are restricted to a few hours and both forms of animal movements have to be performed within these few hours. Three options are available to a sedentary herder. I) Increase migration distance and the radius of grazing so as to reach better grasslands situated farther:

 Reduce relative migration distance, but increase the grazing radius by shifting the household closer to the zone of diffusion;
 Increase diffusion time by reducing migration distance and time and reducing the radius of grazing.

The first option is clearly undesirable to a sedentary herder because an increase in migration, increases the distance to be covered by him by a factor of 2 (because of the two way movements). Further, diffusion time also is reduced by a factor of 2 and whatever gain in energy occurs due to the limited diffusion is frittered away by livestock in their longer migrations. The second option of reducing migration distance and time by moving the household closer to the grazing space is also ruled out because of the structural features of an agriculture community. The third option of reducing migration distance and time and increase diffusion time in nearby grasslands remains the only feasible option to the sedentary herder and is hence pursued by him normally.

# VI The Consequences of Sedentary Grazing

The direct consequence of the adoption of the third option above by a sedentary herder is to reduce the grazing radius to the narrow limits of, say, a village and subject the village pastures to continuous grazing. This is not to deny the possibility of rotational grazing between seasons in villages. Rotations do occur between the different village grasslands but diffusion is always limited due to the factors mentioned in the previous section.<sup>25</sup> The obvious result of the limited ability to diffuse is that grazing is localised to a few patches and the removal of plant energy corsses the limits of net primary productivity ("the independent material form"), in these patches. In more practical terms, such grazing above NPP limits is expressed in the depletion of grasses in the grasslands. Grasses are generally deemed to be sound tolerators of grazing as their growth tissues are mostly located at the base than the tip of the leaves.26 But the more palatable grasses under the impact of close, localised grazing cause to be depleted. "at a rate greater than they can be renewed and maintained by regrowth".27 The imperative is to ensure enough temporality for promotion of vegetative growth in the grasslands through greater flexibility of animal movements so that the morphological essence of plant-animal continuum exemplified in their dialectical relationship is captured. In the absence of this imperative, grazing works to the disadvantage of both the grasslands and the cattle using them. What gives a crude twist to the problem is that in sedentary grazing it is man's spatio-temporal restraints that prevents a balanced plant-animal relationship than the availability of grazing lands as such.

#### VII Issues Raised

This concluding part is not a concluding section in the typical sense of the term. The central thrust of this paper is to provide an alternative perspective to the crisis of grazing in sedentary societies. In essence, the alternative perspective is based on the spatiotemporal analysis of grazing both in its natural and social forms, the latter analysis made in the context of man-livestock relations in sedentary communities. This alternative perspective has brought into focus the fact that the intrinsically poor ability of sedentary village communities "to stretch over longer spans of space and time"28 in their day-to-day domestic activity has also contributed to the crisis as much as the disappearance of the common property resources and the over-population of livestock. In such communities, with their limited ability to stretch far, all natural resources (and this includes fodder), have also as its material attributes the "spatial properties of location, situation, shape, size, dimension, etc".29 It follows that the use value of a natural resource depends also on its location, or in other words, its accessibility. Consequently, the availability of grazing ground by itself will not alleviate or cause the crisis to disappear, so long as sedentary herders are unable to seek "the greener pastures", afar.

#### Notes

- 1 See Hardin, Garett(1968) for a depiction of the tragedy of the commons brought by the 'self-interest' of the 'rational' herdsmen who adds and adds animals to his herd.
- 2 See for instance Jodha N S (1986) for a computation of the range of decline in area of CPRs in respect of 82 sample villages drawn from 7 states of India.
- 3 Karl Marx (1973, p 90)
- 4 Ibid (p 91)
- 5 The focus being on grazing, the third stage of energy flows to carnivores is ignored.
- 6 For a comprehensive discussion on the energetics of grassland ecosystems, see Odum (1971, Chap. 3, pp 37-63)

- 7 The best justification for employing the 'partial process' is given by Georgescu Roegen (1970, p 212) thus, "...there certainly is Change within such a totality, but in order to discover It, we must get inside, so to speak. More exactly we divide the totality into parts, its partial processes."
- 8 Seasonal variations in net primary productivity in tropical grasslands have been attested to in a number of tropical grassland studies. The most notable are the studies by H Leith (1975), titled Primary Production of the Major Vegetation Units of the World.
- 9 Harre (1972, Chap 4, pp 1t0-1t1) deals with these dual conceptions of space. For him, the space as a 'volume' is occupied by 'material', while a 'place', or 'point' in space is occupied by an 'individual thing'. The two concepts 'material' and 'individual thing' are used to distinguish a continuous object from a 'discrete' one.
- 10 The two forms of animal movements, as distinguished by Pielou (1977, Chap 11, pp 166-180).
- 11 Sen (1986, Chap 8, p 127)
- 12 See Anthony C Fischer and John V Krutilla, 'Assignment of Property Rights and Valuation of Resources' in Haefelc (ed) (1974, p 38).
- 13 See Krause (1982, p 16) and his differentiation of forms of tuman intervention in
- t4 For Neil Smith (1984, p 78) an illustration of the emergence of social space out of natural space, is offered by the first separation of public and private space. "This separation could he described" says Smith, "in terms of specific places-a place where hunting is done and wars fought as against the place where crops are gathered and grown and children reared". The point that is highlighted by Smith is the social basis of ordering of space.
- 15 See Pielou op eit (p 166)
- 16 The maxims of Hagerstrand as summed up by T Carlstein (1982, Chap 2, p 49). Note the positivist flavour in condition (2), "every activity has a duration".
- 17 From Gershuny, J I, and Palil R E (1979), 'Work Outside Employment: Some Preliminary Speculations', New Universities Quarterly, 34(1), quoted by Pahl R E (1984).
- 18 Neil Smith op cit (p 79).
- 19 In Southern Deccan, the agricultural season and the regular grazing season in the pastures begin in the months of June-July, i e, after the first south-west monsoon showers.
- 20 Bardhan (1984, p 22).
- 21 Dasgupta (1977, p 47).
- 22 See Damodaran A (1987), for an instance of large incidence of child labour in grazing.
- 23 The need to attend school, or other domestic work also reduces the time for herding stocks. The point sought to be made is of the general physiological limits of children in performing activities.
- 24 The concept of 'prism' to depict human action-space, in 2-dimensional graphs originally employed by Carlstein (1982, Chap 3), has been adopted in this paper, to illustrate the spatio-temporality of graz-

- ing. The area circumscribed by the prism gives the limit to which an object can diffuse from the base point, assuming that it has to return to the point at a later time during the day. The prisms used in the figures are illustrative.
- 25 In villages, it is not uncommon to have different grasslands for different seasons. For instance, in south India, apart from monsoon pastures, summer grazing is provided by tank beds.
- 26 Tivy (1982, Chap 13, p 317).
- 27 Ibid (Chap 5, p 100).
- 28 Employed by Anthony Giddens (1981) to describe his concept of social distanciation of different societies. Admittedly, the context to which Giddens referred is different from the one in which it is presently employed.
- 29 See D Harvey (1982, p 328).

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# Development and Controversy National Dairy Development Board

**B** S Baviskar Shanti George

This paper analyses how the National Dairy Development Board (NDDB), which designs and implements Operation Flood, reacted to the controversy it aroused. The focus is on aspects of the controversy that are of developmental interest.

IF developmental programmes are intended to renew and invigorate the body politic, controversy can play the role of adrenalin by stimulating, speeding up and intensifying these processes.

A common assumption is that public controversy necessarily casts a shadow on organisations engaged in developmental programmes. It is true that controversy often emerges out of corruption, nepotism, misappropriation of resources, etc, or accusations thereof. However, controversy can also have positive origins, for it may reflect the focusing of public attention on strategic issues, and public involvement in or debate over developmental problems. It is in this positive role of enhancing vitality and vigilance that we have compared controversy to adrenalin. It can even be argued that a development programme which arouses no controversy whatsoever should be viewed with misgiving for it may be a programme that involves no innovation, breaks no new ground, and avoids coming to grips with difficult issues. It is on controversy in this positive sense that we shall concentrate in this paper.

With such a focus, perhaps no better example of a developmental organisation involved in controversy could be found in India than the National Dairy Development Board (NDDB) which designs and implements the programme known as Operation Flood. Indeed, even stringent criticism by the Rome Development Group acknowledges Operation Flood as "undoubtedly the most imaginative and innovative dairy programme in the world" (p 4). The Operation Flood programme is spectacularly bold and ambitious in its scale, its thrust, and the problems that it attempts to tackle. The extensive and persistent controversy that this programme has evoked can in fact be accepted as something of a tribute to the NDDB.

However, it is not enough for an organisation to spark controversy. How controversy is responded to and handled is of immense significance, for if even a healthy controversy is improperly dealt with the consequences can be unhealthy for the organisation, for the society it serves, or for both. We should therefore closely scrutinise the behaviour of a developmental organisation that has provoked such controversy. Does the organisation respond positively and ride out the storm? Does it encourage public debate, showing a readiness to learn and to modify its development programme accordingly? On the other hand, does the organisation retreat into itself, or turn with a snarl to claw at critics? Does it shut down communication channels, or sent out misleading information? A range and variety of ruses can be resorted to in order to sidestep the controversy. The specific ruse to be highlighted in this paper is one that we shall call "wearing reversible garments".

#### THE ORGANISATION AND ITS PROGRAMME

The National Dairy Development Board, established at Anand in Gujarat in 1965, was not born in controversy, not at that time was the institution whose daughter it is the subject of controversy.

The Kheda district (formerly 'Kaira') which centres around the town of Anand is India's most remarkable milk tract. Since much of Kheda is agro-ecologically blessed, plentiful crops provide residues to feed highvielding buffaloes. Some of the resultant abundance of milk was for centuries processed into ghee for distant markets. Around the beginning of the twentieth century a part of this milk was diverted into the manufacture of western dairy foods, notably by the Polson Dairy set up at Anand by an industrialist from Bombay. That growing metropolis also attracted milk in its liquid form from Anand channelled along the railway, and in 1945 the Greater Bombay Milk Scheme signed a contract with Polson Dairy for supplies from Kheda. This contract did not suit the locally dominant caste of patidars, known for their enterprise, independence, caste solidarity, success with co-operative organisations, and links with the nationalist movement. The result was the Kaira District Cooperative Milk Producers' Union Ltd, which grew flourished on the strength of local support and national and international aid, until its milk plant Amul Dairy was the largest in Asia and its dairy products became a household name.

Almost two decades later, India's then prime minister Lal Bahadur Shastri was so impressed by the Kheda cooperative that he suggested nation-wide replication. It was in order to implement this suggestion that the NDDB was established at Anand, with the general manager of Amul Dairy, Verghese Kurien, moving up as chairman. Replication efforts proved most successful in some districts of Gujarat state itself.1

Meanwhile, far away on European farms, overproduction of milk under the Common Agricultural Policy caused the accumulation of what have been styled mountains of dried skim milk and lakes of butter oil. The European Economic Community (EEC) was unable to locate a commercial outlet for these milk surpluses. Towards the end of the sixtics, a charitable alternative was sought in desperation, and stocks of dairy commodities were offered as a gift to India.

The NDDB felt that direct unloading of these dairy commodities onto India's milk market would be destabilising, so some developmental use should be made of them. It was to this end that Operation Flood was designed.

The programme involved the recombination of the donated dairy imports with locally produced milk, for sale to urban consumers through dairies in the four metropolitan cities. The money derived from the sales would be invested in (a) improved marketing facilities through a national milk grid composed of chilling plants, feeder balancing dairies with some product manufacturing capacity, and city dairies, all linked by milk tankers on rail and road, and (b) enhanced production by crossbreeding Indian cows with European dairy strains, by increasing acreage under green fodder, and by setting up cattle feed mills. The NDDB's original replication drive was not lost sight of, for the milk grid was to draw on "Anand Pattern" cooperatives of two tier structure. with village cooperative societies organised into district cooperative unions owning a dairy plant, on the lines of the prototypical Kaira cooperative. The entire strategy was oriented towards attaining national selfsufficiency in milk by the end of the programme and gradually phasing out the use of donated dairy foods in the urban supply.

With the NDDB acting as the technical agency of dairy development, a financial agency was established at the start of the Operation Flood programme in 1970. This sister institution, which shares the NDDB's board of directors and chairman, is the Indian Dairy Corporation (IDC), located at Baroda city near Anand. One of the IDC's responsibilities is to sell donated milk commodities to city dairies and to invest the proceeds in marketing and production facilities.

Originally intended to last for a period of five years, Operation Flood has continued ever since. A first phase came to an end in 1981, a second phase in 1985, and a third phase is currently in progress. (Each phase has been introduced as the final one.) The first phase aimed to cover one million producers of 27 milksheds in ten states, with investments to Rs I,166 million. The second phase expanded to supply 147 towns and cities from ten million producers in some 155 milksheds in almost all Indian states and union territories, involving an expenditure of Rs 4,837 million. Although the production and marketing strategies adopted did not alter significantly, some notable changes appeared in Phase Two. The funding for this phase drew on a large loan from the World Bank (which had aided dairy development in three states under the first phase) in addition to the proceeds from the sale of donated commodities. Larger quantities of dairy were used: 2,18,000 tonnes of dried skim milk and 76,000 tonnes of butter oil, as compared with 1,26,000 tonnes and 42,000 tonnes of these items respectively in the first phase. The World Food Programme acted as a channel for donated milk foods during Phase One, but from the second phase onwards the EEC has dealt directly with India.

In the sixteen years of the programme, Operation Flood has been evaluated several times, by World Food Programme missions in 1972, 1975 and 1981, by the World Bank in 1977, by the Iha Committee in 1984, and most recently by an EEC-World Bank Mission in 1986. The Jha Committee evaluation is of particular interest since it arose out of a controversy over Operation Flood in the Indian press and the questions consequently raised in parliament.

#### THE CONTROVERSY

The long-running and wide-ranging controversy over Operation Flood has some significant aspects.

It is interesting that in this controversy the NDDB has not liad prolonged encounters with politicians. Although politicians have occasionally intervened on behalf of or against the NDDB, they have not contributed to the steady and sustained criticism of the programme, which has tended to come mainly from three groups—namely journalists, voluntary organisations and social scientists, both in India and abroad.

The most striking example of journalistic opposition to the programme is that of Claude Alvares, whose article "The White Lie" published in *The Illustrated Weekly of India* provoked the controversy that ultimately led to the appointment of the Jha Committee. The opposition of voluntary organisations is best exemplified by the recent campaign 'EEC Milk Out of India' conducted by the India Committee of the Netherlands. One of the first social scien-

tists to question the Operation Flood programme was Raymond Crotty who wrote in the columns of the Times, London.<sup>2</sup> From 1979 onwards, the pages of the Economic and Political Weekly regularly contained criticism of the programme by Indian social scientists. It is piquant that in countering opposition from these groups the NDDB can draw on the support of other journalists, other voluntary organisations, and other social scientists.

Further, the central issues in the controversy are not misappropriation of resources, nepotism or corruption. (Some complaints may be heard about the highhandedness of senior officials in the NDDB or the lifestyles of those who describe themselves as servants of milk producers, but these are peripheral.) The argument rages mainly around developmental questions. What is the scale bias of the techhology advocated? Which category of milk producers does it benefit -- largeholders, medium farmers, small cultivators, marginal agriculturists or the landless? How can urban populations be economically and efficiently supplied with milk? Should crossing with European strains be the main breeding strategy or should indigenous breeds be developed? Is a policy of green fodder production and the compounding of cattle feed wise in the context of India's limited agricultural resources and undernourished population? What has been the impact of Operation Flood on the procurement and retail price of milk? Are the new dairy plants utilising their capacity adequately? Towards which income groups does the programme channel milk? What exactly should be the role of milk in contemporary Indian nutrition? Has the country erred in accepting EEC milk surpluses and using them in the manner that Operation Flood has? Attack therefore centred on the design of the programme rather than its implementation, although some attention was paid to unachieved targets and unbalanced implementation.

Again, most critics seem in broad agreement on the answers to these questions, although there are differences between them. The consensus is that the technology propagated by Operation Flood is biased towards large-scale producers and upperincome consumers, because this technology has been borrowed from western countries where production takes place on a large scale and where income levels are high. Further, the haulage of milk across long distances is feasible for the temperate zone technologies which Operation Flood imitates, but in tropical India becomes counter-productive as well as costly, since it eats into the price received by the producer and bloats the price paid by the consumer. Part of the problem is the under-utilisation of dairy plant capacity built with reference to the quantities processed in the West, and the consequent increase in costs and losses. Critics suggest that a dairy policy which emphasises the use of surplus labour rather than of scarce capital, that centres around indigenous milch buffaloes and cows fed on agricultural byproducts and residues, and that mlnimises the industrial handling of milk in order to cut costs, would be more appropriate as well as less scale biased. They also aver that the use to which Operation Flood has put the gifted EEC dairy surpluses has only served to create a future commercial outlet for these surpluses in India, by setting up a milk grid without stimulating milk production sufficiently to keep this grid going.

Another fact to note about the controversy over Operation Flood is that it has not only confined itself mainly to developmental issues and revealed a surprising consensus among a range of critics many of whom are not in direct contact with each other, but that the NDDB has never flinched from a confrontation in the long course of eighteen years. Many organisations around which controversy flickers choose to ignore the flames in the hope—and shrewd calculation-that they might die down if the fuel of reaction is withheld. Although this strategy sometimes works, it has no developmental value as debate over the issues is avoided and the public is left uninformed and even shruggingly cynical. It is to the credit of the NDDB that it has always engaged itself in rather than retreated from controversy, and has engaged itself with vigour. Not once in over a decade and a half has the NDDB ever taken refuge in the response "no comment".

Further, when countering critics, the NDDB can count on a number of powerful and prestigious supporters, notably all the agencies associated with the Operation Flood programme, viz, the government of India, the World Food Programme, the World Bank, and the European Economic Community. No agency involved in the programme has at any stage withdrawn in dissatisfcation at the design or implementation of Operation Flood, but in fact all have expressed admiration. Further support has been forthcoming from other international agencies and from other western countries in the form of bilateral aid. The NDDB has also been paid the compliment by some Asian and African countries of interest in replicating the Operation Flood programme in Pakistan, Bangladesh, Sri Lanka, China, Saudi Arabia, the Philippines, and Zimbabwe. It is significant too that the journalists and social scientists who support Operation Flood outnumber those who criticise it. But perhaps the strongest (if latent) buttress for the NDDB has been the foundation of public pride in an organisation perceived to be honest, efficient and dynamic-so that critics are often reproached by members of the public thus: "Here is at least one organisation in our country

which is doing good work and you attack it."

Such a situation was indeed positive and promising. For once public discussion of an organisation did not centre around "How much money was siphoned off?" or "Why was X being victimised?" Here at last was an opportunity to involve the Indian public in a debate on fundamental questions about development. The issues to be thrashed out concerned the use of commodity aid, the strategies most likely to enhance productivity and efficiency, the reduction of disparity, and the place of various nutrients in the Indian diet. There was a clear polarisation of opinion, with strong arguments on both sides. A rare chance presented itself to intensify public awareness of developmental options. And how was this opportunity utilised by the organisation reponsible for its emergence?

#### THE REACTION

Some organisations are born amidst controversy. Others have controversy thrust upon them. A few achieve controversy. In the foregoing sections, we attempted to demonstrate that the NDDB falls into this last category, having resisted the temptation of shielding itself from publicity, having steered clear of charges of corruption, and having drawn fire on the territory of developmental issues.

Our argument will now be that the NDDB has not carried its achievement far enough. It would have done so if it had handled the controversy it so usefully generated in a mature and positive fashion. We consider that the NDDB has not done this. However within the constraints of this paper, we cannot do justice to all aspects of the controversy. The NDDB has at various times been accused of hostility towards independent researchers,3 of pressuring organisations against funding research by critics of the Operation Flood programme,4 of overacting to criticism and of 'cooking' data in order to counter opposition.5 We shall not examine the truth of these accusations here.

Instead we shall focus on one aspect of the controversy that is of particular developmental interest. This concerns the clarification of issues for public debate. As noted above, the Operation Flood programme managed to straddle a large number of critical decisions involved in the formulation of developmental strategies.

- (1) Should India use food aid as an instrument to hasten economic growth and for equalisation, or might this instrument turn out to be a boomerang that will knock India into dependence on the countries giving aid?
- (2) To what extent can India benefit from transfer of technology from Euro-American countries? Will this transfer lead India quickly into a future as prosperous as these countries enjoy, or are Indian conditions so

different that the transfer will misdirect her steps?

(3) What of India's poor? Should development be focused on upper socio-economic strata in the belief that benefits will slowly trickle down, or should programmes be aimed directly at the poor? Are growth and equity necessarily opposed, or can both be simultaneously striven towards?

The Operation Flood programme was such as to operationalise all these issues, involving as it did the use of dairy surpluses from the EEC, the transfer of technology through the introduction of European sires for crossbred cattle and milch stock diets composed largely of green fodder and compounded feed, and explicit objectives at the time the programme began of ameliorating rural poverty at the same time as stimulating economic growth. In addition it raised the specific question of milk as a nutrient.

(4) What exactly is this substance handled by Operation Flood? Is milk a vital food? If so, for whom? The entire populace, or certain sections within it? Is it a food 'crop', a cash 'crop', or something of both? If the last of these, how is its dual identity to be suitably handled?

In the next four sections, we shall consider the NDDB's behaviour with regard to these four issues. We shall argue that a positive response to controversy would have involved either standing by the decisions taken and supporting them with sound arguments, or openly altering strategies if these proved misdirected. Instead, the NDDB kept shifting its stand. This ambivalence and lack of clarity symptomised the Operation Flood programme generally. It also served to confuse the issues for public debate-and thus to confuse rather than to educate the public.

#### THE NDDB ON COMMODITY AID

The following quotations serve to illustrate the NDDB's turnabout act on this issue:

How difficult it is to refuse a gift as tempting as thousands of tonnes of free dairy commodities. How alluring such a gift is to the politicians and bureaucrats who see it as a potential giveaway. How much more discipline is required to say, "No, we will not give it away, simply to create a demand that we later shall not be able to satisfy. . . but, instead, we shall charge for it, we shall save the money that it generates, we shall invest these savings in new productive dairy facilities, we shall take on the vested interests and we shall help milk producers to come into their own (Kurien: 1976: 7).

Has Operation Flood made the country more dependent on imported milk powder? No! On the contrary... Food aid is a doubleedged sword-if not used properly it can depress local production. Operation Flood has proved that if food aid is used effectively, it can sub- atially increase indigenous milk production i eliminate the need for im-

ports (NDDB: 1984: 4). .

What are people crying over 40,000 tonnes of milk powder for? (referring to a gift of milk powder from abroad) If I had not taken it some minister would have taken it from a foreigner. It is a non-issue (Kurien: 1983b).

Lest there be misunderstanding, we must make clear that, in the future, if despite our best efforts demand exceeds supply, the government may decide to import milk or milk products in the interests of the consumers, just as they do in the case of vegetable oil and food grains (Kurien: 1983a: 9).

Dr Kurien said EEC had been approached for an increase in the quantity of milk powder gifted by it for the Operation Flood programme to tide over the expected shortage of milk powder... There was nothing wrong in getting supplies of milk powder from abroad as gift (The Hindu, April 28,

New Delhi, Thursday-India's "Operation Flood" had made the country self-sufficient in milk and milk products, Dr V Kurien, chairman, National Dairy Development Board, claimed here today (Statesman, December 17, 1982).

Today Kurien denies that self-sufficiency was ever an aim of Operation Flood, and questions the wisdom of the concept in a world which is linked by international trade. "Is your question will India be self-sufficient after Operation Flood 11?" he asked last fortnight... "Are you trying to say that India will have no foreign trade? If you don't import anything you cannot export. International trade means that if a country can produce a thing at a cheaper price it should be exchanged for the benefit of all others' (India Touay, January 31, 1984).

A dangerous gift put to disciplined use as a developmental investment... A doubleedged sword which Operation Flood has managed to grasp victoriously... A nonissue... A strategy that has managed to eliminate the need for commercial imports... A strategy that was never intended to eliminate commercial imports... Just what is the public supposed to make of Operation Flood or of commodity aid?

#### THE NDDB ON MILK PRODUCTION TECHNOLOGY

Next, a few quotations to demonstrate how the NDDB has switched from one position to another on the question of milch animals and their diet which is fundamental to a dairy development programme.

... a vast, inefficient structure of traditional milk production (Jhala: 1974: 419). (Jhala was then the secretary of the NDDB).

High-tech Dairying. Farmers are eagerbut are professional dairymen ready to cope with space-age technology? ... New technology (much of it, 'high technology') is all around us. In milk production, milk processing and milk marketing... In milk production, for example, there is frozen ova transplantation (NDDB: 1983: 4).

At the Cattle Feed Plant, cooperative staff explain how balanced concentrates increase milk production. The visitors discuss modern breeding methods with experts at the Centralised, Semen Collection Centre. In milk producers' fields, visitors learn how even a fittle green fodder daily can increase milk production (NDDB: 1979: opening page, lushly illustrated).

Milk production rises by 5-6 per cent every year without anyone having to force new production technologies down the farmers' throats (NDDB: 1985: 4).

Our country's dairying is uniquely based on the conversion of agricultural by-products and wastes into milk (NDDB: 1983: 4).

Operation Flood has been remarkable... increasing per animal average yield from 700g in 1970 to almost a kilogram by 1983 (IDC: 1983: 34).

The pressures on Operation Flood, and the serious drawbacks in its implementation are glossed over by Kurien... after it became known that little credit for increased national milk production could go to Operation Flood, he flatly denied last fortnight that he had ever claimed the credit for this even though virtually every public document published by the NDDB/IDC makes this claim (India Today: op cit).

Commensurate with the provision of crossbred and exotic strains of milch animals an increase in the production of forage crops is essential for obtaining higher milk yield (NDDB: 1980: 5).

Cross-breeding, quite simply, is the quickest way one can increase milk production in cows (Kurien: 1983: 24).

Cross-breeding has not been the main thrust of the programme aimed at stimulating milk production. According to the NDDB argument, a market—and an organisation run by the farmers—is stimulant enough. As Dr Kurien puts it, an Indian cow has low productivity. It is three-fourths litres a day. 'You give it some good water, it yields one litre. Talk well to it, it is one and a quarter litre. A handful of good grass, and then it is one and a half litres' (The Hindu, March 13, 1986).

What are those who read such information, in newspapers, news-magazines and NDDB reports, to think? Is the country's traditional milk production technology inefficient or is it a unique conversion of waste into milk? If the latter, why Operation Flood's stress on the new technology centring around green fodder and compounded cattle feed? On the one hand, space age technology is advocated and on the other an impressive increase of 6 per cent per year in milk production is recorded even without a change in technology. A jump in milk production figures is claimed for the period covered by Operation Flood, and yet the boast that Operation Flood is responsible for this jump is hastily withdrawn. Should farmers crossbreed their cows in order to expand milk production or merely talk nicely to the animals?

#### THE NDDB ON THE RURAL POOR

Here are some examples of how the NDDB has oscillated on the subject of

whether or not Operation Flood is to rescue the rural poor from unemployment and penury.

Anand pattern dairy cooperatives work for and with the milk producers in giving to all, regardless of caste or creed, equal access to the milk market, a fair year round price—and technical inputs... helping even the poorest to increase their milk production and improve their incomes (NDDB: 1979: opening pages).

Operation Flood, by providing a regular market and better prices is increasing the purchasing power of the poor (IDC: 1983: 36).

... as agreed by the Indian Dairy Corporation at least one third of the producers to be helped by Operation Flood may be drawn from the group of small farmers and at least another third from among marginal farmers and/or agricultural labourers (NCA: 1971: 27).

The Rural Household Participation Survey conducted in all Operation Flood I milk-shed areas in 1978 revealed that 39 per cent of the households were landless and the remaining 61 per cent were almost equally divided between the small and large operators of land... The distribution of milk production was as follows: landless 11 per cent, small farmers 30 per cent and large farmers 59 per cent... Some 25 per cent of the households were members of the milk cooperative and the distribution of members was as follows: 14 per cent landless, 38 per cent small farmers and 48 per cent large farmers (NDDB: 1982: 40).

According to Mr R P Aneja, secretary, NDDB, the cooperatives do not give loans to the weaker sections of the rural society. Past experience has shown that once they are given a crutch, the poor become dependent on it, and the social tensions created by favouring one section of the community over another would destroy the cooperative (Economic Scene: 1981: 19).

The objectives of Phase One of Operation Flood included "special emphasis on improvement of the income of small farmers and landless people" (FAO: 1976: 7). However, the objectives of Phase Two of the programme make no reference at all to the rural poor (see NDDB: 1977: 3).

Of the many populist banners marking the triumphal entry of Operation Flood into India's dairy economy, one promised compensatory justice for the rural poor. However, that banner was missing in the inaugural celebration of Phase Two. In any case, reports from milk tracts suggested that farmers with resources were the chief beneficiaries of the programme. Dairy officials shrugged off the rural poor's need for credit. And in recent conversations, these officials deny that the programme was ever intended to ameliorate rural poverty.

#### THE NDDB ON MILK AS A NUTRIENT

The issues so far referred to have had developmental connotations wider than those of Operation Flood, linking up as they did to debates over food aid, transfer pf

technology, and redistribution. Was it perhaps because of these wider connotations that ambivalence and ambiguity entered the responses of the NDDB? Was the organisation perhaps unequivocal on issues internal to the project, such as the nutritional role to be played by the food milk?

In the face of this dynamic market, our dairies will no longer concentrate on rationing an insufficient milk supply to the privileged minority of each city. Instead, dairymen will have be become marketeers: they will have to sell milk to all, rather than administer a usually inadequate distribution to the few (Kurien: 1970: 66).

... the fact is that even poor Indian people like milk and almost all consume it... It must be realised that milk and milk products are the only source of animal protein for the 35-40 per cent of 630 million people living in India who are vegetarian. It has been found that even non-vegetarians need milk and milk products to supplement and enrich their diet. Thus, a modest but assured supply of milk can serve to balance the national diet (NDDB: n. d: 3, 7-8).

Milk has two major components: milk fat and milk protein. Milk fat costs three times the price of vegetable fat and even I, as chairman of the Dairy Board, cannot claim that milk fat is nutritionally superior to vegetable fat. Similarly, milk protein is three times as costly as vegetable protein such as pulses, soyabeans, etc. Milk is therefore a comparatively expensive food (Kurien: 1983a: 19-21).

'In fact, for the rural poor, drinking milk is like eating cake', exclaimed Dr R P Aneja, the NDDB secretary (*Indian Express*, February 23, 1981).

Milk is only for the rich? New Delhi, August 26 (PTI): The Indian Dairy Corporation has said that poor people should get their protein from coarse grains such as bajra, jowar and maize and the rich people from milk. In its latest annual report, IDC said: 'While considering alternatives to fill the protein and energy deficiencies, it is only logical that the lower strata of the population satisfy themselves with cheaper nutrients from vegetable sources and the affluent ones look to nutrients originating from animal sources' (Indian Express, August 27, 1985).

The organisation which started out eighteen years ago with the motto 'Milk to all' now does exactly what it said then it would not, viz channel "an insufficient milk supply to the privileged minority of each city". Elaborate justifications are now put forward for this selective approach. No acknowledgement has been made of, let alone explanation provided for, the drastic reorientation.

#### WHY THIS REACTION?

Examples of doublespeak by the NDDB on other issues connected with Operation Flood can be put forward, but we hope that we have made our point and can now attempt to explain this reaction of an organisation which has stimulated public controversy.

A basic conclusion is that serious defects

in the programme itself were responsible for the shifting stands by the organisation committed to implementing the programme. To refer only to the issues which have been our focus, clearly the programme had not been able to use gifted commodities to attain selfsufficiency. Nor was the programme able to entrench the milk production technology it sought to transfer to India from the west. The programme could not live up to its other claims that it would help the rural poor out of the slough of unemployment, and that it would channel milk to all as a part of a national diet. Therefore the NDDB's position shifted to "Who wants self-sufficiency anyway?" "We are doing wonders without transferring technology", "It's not our business to help the rural poor" and "Milk is a cash crop, not a food crop." Shaky policy leads to unsure footing and dodging.

Cynics might attribute these shifts in position to the political expediency of pushing a programme through: promise self sufficiency/technology transfer/equalisation/nutritional benefits in order to have the programme approved, and later out disown these objectives when they prove inconvenient. However, we would like to take a more positive approach and try to analyse some of the behavioural and structural factors that could be responsible for the reaction.

That policy defects inherent in the programme undermined the organisation's position like quicksand is suggested by the NDDB's extreme reluctance to joint debate on the issues. Most confrontations with critics took the form of questioning their credentials rather than countering their criticism. These critics were described as "leftists, paid pipers, mercenary journalists... disgruntled bureaucrats... milk contractors, oil kings, multinationals" (Patel: 1984: 2). When the secretary of the NDDB replied in the Economic and Political Weekly to a sociologist who questioned the soundness of the Operation Flood programme, the reply relied heavily on insinuations about the motives and associates of the sociologist.6 A similar response was elicited by the campaign of the India Committee of the Netherlands, "EEC Milk out of India", a campaign that demanded the phasing out of dairy aid, withdrawal of aid for babyfood manufacture and cross-breeding with exotics, and an end to EEC imports of cattle feed from India. "When asked for his responses to these demands, Dr Kurien told The Hindu that he 'resents' being asked about demands made by people "whose credentials are not known to me"... "These are just about 50 long haired people" and Kurien feels that there is a touch of 'racism' involved. The "white man still thinks he knows what is good for India and the Indian dairy industry" . . . "They are like the Ban the Bomb groups" (The Hindu, May 13, 1986).

This reluctance to debate the issues involved even took the extreme form of refusal by the NDDB's personnel to recognise... the defects of the crossbreeding programme

the government's right to evaluate performance: "the National Dairy Development Board received the resignation letters of 700 officers on December 14 protesting against the government's action in ordering an evaluation of the performance of the Board" (Economic Times, December 20, 1983). In this context, a letter to the editor of a national newspaper from a resident of the NDDB campus is of interest: "NDDB is a temple safeguarding the interests of millions of farmers in the country, Nobody should enter it with the intention of making it unholy. One cannot expect to find skeletons in holy places like the NDDB. In the process of searcht for such skeletons only feelings will be hurt" (Indian Express, Ahmedabad, December 26, 1983). Six months later letters of this tenor appeared again in the newspapers, but in connection with the army entry into the Golden Temple in Amritsar—a comparison that makes us wonder at such religious outrage in a secular organisation like the NDDB.

The question of whether the NDDB is sacred or secular territory is not one for serious debate, but we would like to argue that certain structural dualisms in the organisation may be responsible for its oscillating positions, viz, that ambiguity and ambivalence are built into the organisation and not just characteristic of its answers to public questioning. For the NDDB is at one and the same time a governmental organisation and a non-governmental organisation, an organisation which preaches cooperation but is itself not a cooperative, a national organisation and a very local one, an Indian organisation and an international one.

Whether the NDDB is a government organisation or not is the subject of heated disputation. "Legally, the National Development Board is a registered society. Informally it is an agency of the government" (Business India, January 2-15, 1984). "The National Dairy Development Board has sworn an affidavit before the Bombay High Court that it is not an instrumentality of the government of India, despite the fact that this is untrue, and that its funds come from the consolidated fund of India" (Alvares: 1984:38). We will not here go into the question of the actual status of the NDDB7 but shall only emphasise how the organisation makes use of its ambivalent status.

The strategic convenience to the NDDB of a neither-public-nor-private position cannot be exaggerated. All successes, achievements, triumphs, victories are attributed by the NDDB to its own elforts. Failures, bottlenecks, delays, false steps—these are laid at the door of the government, although surely at some level the NDDB acts for the government. When questioned about the export of cattlefeed from a country of malnourished bovines, the answer is: "India's export policy is not decided by me or NDDB/IDC" (Kurien: 1983a:23). When the defects of the crossbreeding programme

are pointed out, the defence is: "The crossbreeding policy was evolved and accepted by the Ministry of Agriculture long before Operation Flood was considered" (ibid: 24). In short: "If it's right, it's because of us; if it's wrong, it's because of the government". Structural ambiguity thus encourages ambiguous response to controversy.8

The usage "NDDB/IDC" above in quotations draws our attention to another structural ambiguity. Are the NDDB and the IDC separate organisations, or two names for the same entity? If they are distinct organisations, why do they have the same board of directors headed by the same chairman? If they in fact function as a unity, why are they then denoted as separate institutions? An overt rationalisation of their separate status is that the financial and technical arms of dairy development should be differentiated in order to create checks and balances. But can one organisation aet as a check on another when both have the same decisionmaking body? Does it not become just a matter of switching hats? And if key personnel in an organisation fall into the habit of switching hats, will this not facilitate the habit of switching positions on controversial issues?

Again, ambiguity becomes a strategic convenience, with checks and balances ostensibly present, but both arms of the balance ending in a single pan! A two-in-one organisation can also provide greater room for manoeuvrability than a single body. As a registered society, the NDDB cannot turn donated commodities into money and then invest the money, as these functions are the prerogative of a government organisation. So the IDC comes into being as the necessary government agency, but since the board of directors is the same as that of the NDDB, the commodities and funds are effectively being handled by the NDDB. except that it puts on a pair of gloves labelled 1DC when it does so. The practice of pulling gloves on and off at convenience encourages the tendency to adopt and then drop positions in matters of controversy.

If the NDDB/IDC duality illustrates the advantages of two organisations that are Stamese twins, the organic analogy can be carried over to our next point of debate which concerns the fact that the national dairy development board has its heart in a certain place, namely Anand. The NDDB rejoices in two facts: as an organisation it is firmly rooted in the soil of Anand, yet as a national body its twigs stretch over a subcontinent. Could there not be some discrepancy between conditions at root level and those at the level of different twigs? Could it also not follow that the location of the centre of power may result in huge well-fed healthy roots, but with many twigs dry and neglected? The difference in conditions between Anand and other parts of India has been extensively discussed in the

literature on the subject, as has the continuing special treatment under Operation Flood to the Kheda cooperative and īts Amul Dairy at Anand.9

Here we will only underline the fact that there is something of a vicious duality involved. The NDDB derives its legitimacy from the productivity and prosperity of Anand and must therefore ensure that Anand is more prosperous and productive than other milk tracts in order to safeguard its justification for existence. So that a programme like Operation Flood, which overtly sets out to elevate other milk tracts to the level of Anand, covertly works to further elevate Anand's own status. What is more, unless Anand stands out as an oasis in the desert, international donors will not channel aid to the NDDB to create more oases. The grass must always be greener at Anand, for the location of the NDDB is not mcrely physical but also structural and strategic.

Of course, the grass in the rest of India is not uniform in colour and the gradations in hue are of interest here. The grass in certain districts of Gujarat state, although not equalling the verdure at Anand, is distinctly greener than elsewhere in the country: "dairying forerunuer Gujarat... with almost half the farmer members and 55 per cent of milk procurement accounted for most of the progress" (India Today, op cit, p 125). Gujarat state can be considered as an extension of Anand and thus the heartland of the NDDB-to the extent that the chairman of the NDDB and IDC is also the chairman of the Gujarat Cooperative Milk Marketing Federation (GCMMF). If the same people speak for different organisations, perhaps discrepancy between statements is inevitable.

Another structural contradiction is that NDDB is a "farmers' organisation" without any farmers. "... we're simply trying to help farmers to own and control the fruits of their labour, to enable them to get a bigger share of the proceeds and in so doing to help them become more productive" (Kurien: op cit, p 42). According to Kurien "... I wanted to reduce the profile of the bureaucracy, give dairying back to the farmers and into their control" (The Hindu, ibid). "I should be permitted to remain an employee of farmers, not a government employee" (Kurien: op cit, 3).

There are no farmers' representatives in the NDDB. The only farmers one sees on the premises of the sprawling organisation are those who have come there for training, and indeed these 'masters' of the NDDB are lodged there in a modest hostel whose amenities cannot compare with those in the guest house where Indian and foreign dignitaries/experts are housed. The 'employers' have often to resort to strikes in order to get their employees to pay them a higher procurement price for milk, as in

Erode in 1980 or as in the Kheda cooperative itself in the same year. The apex of the countrywide network of dairy cooperatives created by the NDDB is the recently established National Cooperative Dairy Federation of India-which again shares its chairman with the NDDB, the IDC and the GCMMF. Note that the NDDB/IDC are not cooperative organisations, and farmers have no control over the disposal of donated dairy commodities or the investment of funds derived from the sale of these commodities. A politician who has considerable experience of Maharashtra's sugar cooperatives and who is mobilising resistance to the imposition of the Anand pattern over Maharashtra's dairy cooperatives, has inquired shrewdly why the Anand pattern of cooperativisation is not being extended to the NDDB and the IDC who recommend it to everyone else. 10

Again, there are strategic advantages to be derived from the position of an organisation which advocates cooperativisation but is itself not a cooperative. Further, in India, if you want to be accountable to no-one, there is no better strategy than to declare that you are accountable only to the country's farmers—for your constituency will make few demands on you, being scattered, relatively powerless, and ignorant of the English language in which your fine rhetoric is voiced.

Let us proceed to discuss structural contradictions with reference to national/international dimensions. The NDDB, as we have seen, has in its national sphere of influence quite formidable powers vested in it by the government of India. Yet the NDDB's sphere of operations extends beyond Indian borders in some significant ways. Much of its support is from international sources, whether from the sale of dairy commodities donated by the EEC or from World Bank loans. "... we should be grateful to all those who have made Operation Flood possible... the World Food Programme of the United Nations, the FAO, the European Economic Community, the World Bank, the United Nations Development Programme, and friendly countries like the UK, the US, Switzerland, Denmark, Sweden, and last, but not least, the Netherlands" (Kurien: 1986: 8). Without support from abroad in various forms, it is doubtful whether the NDDB would have been able to cut such a grand organisational figure or make such a big organisational splash. The funds so derived provide carrots to dangle in front of state governments, and play the crucial role of bait to attract additional internal finance.

Further, the NDDB (like its mother institution the Kheda cooperative with its Amul Dairy) is not only a jewel in the national crown to dazzle visitors with, but also an international showplece, with international development agencies as proud of the organisation for their contribution to it

as the Indian government and public are. To this extent, the NDDB has leverage on such agencies as it has on the government of India. The situation increased in piquancy when we note that while international agencies are offstage and behind the scenes, the audience to which the NDDB often plays is that of other Asian and African countries which applaud the NDDB's anti-western speeches-speeches that are made in costumes and amidst stage props provided by the West. International agencies do not seem to object to such speeches but indeed join in the applause, for does it not accrue to these agencies' credit that their assistance has not eroded the NDDB's autonomy and freedom of speech? Also, if Asian and African countries are inspired to replicate Operation Flood, will not these countries invest in costumes and stage props from the same source?

The fact that the NDDB in its international capacity plays on different stages to varying audiences means that it often makes very different speeches at home and abroad, and sometimes these speeches contradict each other.

On the subject of EEC motives in donating milk commodities to India, the NDDB tells an Indian audience: "As far as the EEC officials I have dealt with are concerned, their sole intention was to develop the dairy industry in our country with a surplus that was becoming an embarrassment to them" (Kurien: 1983a: 10). On the same subject, the NDDB says in Paris: "When Operation Flood was first launched in 1970, one advanced dairying country insisted that one of its own men should be watchdog over the commodity aspects of Operation Flood. Why? To ensure that India became self-sufficient in milk productionor not? That the watchdog was placed in our field was the result of a 'deal' which was struck... Mixing aid with trade is not on" (Kurien: 1978b).

About the quality of donated dairy foods, the NDDB's position when facing critics in India is: "If the implication is that we are receiving substandard commodities fit only for animal feed, then Mr Alvares should have the courage to state that. He most likely did not because it is clearly untrue. EEC has agreed to meet the quality standards we had stipulated and to permit pre-shipment inspection... As a result, the quality of commodities we receive is almost always good. If it is not we reject it. Happily, such rejections have been few" (Kurien: 1983: 12). On the same subject, the position in Paris is: "I must frankly say that, in trying to get Operation Flood implemented in India, we had severe, practical difficulties with regard to the quality and continuity of food aid to be received for the programme. Especially in the early years... We received mouldy milk powder and rancid butter oil, which we were supposed to recombine into liquid milk for human consumption and sell to Indian consumers. When we complained, we were in effect told that beggars cannot be choosers" (Kurien: 1978b).

As one commentator puts it: "the NDDB on strategic occasions makes defiant gestures towards the West... although with the same hand that collaborates with it" (George: 1987: 24). Indeed, the greater the emphasis of Operation Flood on Western dairy technology and the heavier the dependence on international commodities, the more the NDDB's voice crackles with nationaliste fervour

The National Dairy Development Board is truly a fascinating subject for students of Organisational Behaviour (OB). We hope that one day a monograph on this organisation based on intensive fieldwork and research will appear. This paper does not attempt such a comprehensive analysis but only uses the case study of the NDDB to extend our understanding of how an organisation reacts to the controversy it arouses. We argue that the NDDB did not stand up to the challenge of controversy but instead dodged under fire. It changed its coat of defence depending on the expediencies of debate. On all important issues concerned with the Operation Flood programme, the NDDB displayed a wardrobe of reversible garments, now claiming one thing, then the opposite, switching with a dexterity that a quick-change artist would envy.

We argue further that this ruse of reversible garments is related to the very structure of this organisation, which is essentially one of dualism, ambiguity, ambivalencea Janus of an organisation, to use the Roman name for a creature with two faces looking in different directions. The corollary of our argument is that if the NDDB were to restructure itself with a single face-if it were to be either of the government or outside the government, if checks on it were operative from organisations truly separate from it instead of from its own avatar the IDC, 11 if it were to function as a national organisation and not as if the rest of the country were colonies of Anand, and if it were to restrict itself to Indian finance rather than depend so heavily on external aidthe NDDB could formulate a programme other than Operation.Flood and defend or modify this programme in unequivocal terms, progressing from controversy to resolution instead of retreating to evasion. 12

Hope flowers on reading a recent annual report of the organisation: "The National Dairy Development Board became a legal entity on September 27, 1965. Thus as we present this annual report, we prepare to enter our 21st year. This seems to us a good time to take stock of things to ask ourselves, "What has been achieved?" and "What next?" ... The NDDB's doors have always been open to those who wish the country's dairy industry well and who have construc-

tive ideas about making the dairy industry more responsive to the needs of our country..." (NDDB: 1985; 4).

## OB AND THE ART OF CONTROVERSY MANAGEMENT

If the field of organisational behaviour is to become more developmentally oriented through a focus on strategic organisations, then some consideration should be given to the factor of controversy, since strategic organisations will perhaps inevitably attract controversy. Our argument is in fact that strategic organisations should attract controversy, and further that the presence and quality of controversy that surrounds an organisation is an indicator of how strategic it is proving to be in terms of innovative and adventurous behaviour, of mobilising social opinion, of sharpening public awareness of developmental issues, and of provoking public debate. Our emphasis on the quality of controversy stresses the distinction between negative and positive controversy, negative controversy being related to dishonesty, illegality, etc, and thus something that a strategic organisation should not invitc.

The analysis of behaviour in an organisation involved in controversy should answer the following questions—what sort of controversy has this organisation aroused? How has the organisation responded to the controversy? What are the pros and cons of such a response? How can we explain the reaction in organisational terms? What recommendations and prescriptions can we put forward to the organisation? What insights can we derive from the case analysis for improved theories of organisational behaviour?

In using the case study of the National Dairy Development Board, we argue that this organisation is one of the rare cases in India to stimulate positive controversy and that this is a creditable and strategic achievment. However, the manner in which the NDDB reacted to the controversy it generated was not equally positive, for when debating issues of developmental significance the organisation veered from one position to another. We argue that these oscillations can be related to the very structure of the NDDB which see-saws between acting as a governmental organisation and a nongovernmental one, between a regional position and a national one, between a national position and an international one.

Perhaps the NDDB's structural precariousness is responsible for the fact that let alone not arguing clearly on the issues, the NDDB tries its best to avoid arguing on the issues at all, preferring to argue about the credentials of those who question the behaviour of the organisation. The developmental sterility of such a reaction can only be regretted, for it does not help the organisation or the country whose problems it is addressing or the public that is its constituency. In fact it can be argued that a reaction of this sort is anti-developmental.

Towards the end of the last section, we had put forward some broad structural recommendations that should now be briefly related to the concepts used in the analysis of organisational behaviour. Our suggestions that the NDDB locate itself clearly within the framework of governmental institutions (instead of having one foot in and the other foot out, and shifting from one to another according to which position is expedient), and that the NDDB draw the large part of its funds from national coffers rather than rely on the proceeds from selling internationally donated commodities, relate to the boundary clarification and resource dependency of an organisation. Unclear boundaries, we have seen, result in unclear positions. Further, the present position of the NDDB creates grave problems of accountability, loyalty and external dependence.

Similarly, our prescription that now the NDDB has come of age with twenty-one years of existence it should cut the umbilical cord that binds it to the Kheda cooperative in particular and to Gujarat in general, concerns situations where the large organisation grow out of smaller ones and then prove unable to unwilling to disentangle themselves from apron strings. In the same manner that the NDDB has to grow out of being an Anand Dairy Development Board in order to fulfil its role as a national board, it has also to quit dressing up in garments too big for itself to playact at being an International Dairy Development Board mediating between western dairy commodities and echnology and Asian/African economies, and instead must address itself effectively to its own country's needs and realities. In short, the NDDB has to recognise its legitimate boundaries and operate efficiently within these. In this context, the rituallypresent-but-actually-non-existent boundaries between the NDDB and the 1DC should be rationalised in one way or another to eliminate the current mockery of institutional checks and balances.

The usefulness of a case study emerges here, because in an abstract discussion an organisation with boundaries that expand and contract according to different requirements might appear to embody greater possibilities of flexibility, creativity, responsiveness and freedom from constraints. The actual instance of the NDDB as such an organisation reveals conflicts, contradictions and, indeed, the misuse of freedom from constraints. Perhaps the phase "good fences make good neighbours" should be paraphrased in our present context as "definite" boundaries make coherent organisations".

Another boundary problem that the case of the NDDB alerts us to is the danger of identifying the boundaries of an organisa-

tion with the boundaries of a programme. In the present situation, the NDDB not only implements the Operation Flood programme but in a sense the NDDB is the Operation Flood programme. It is passionately devoted to this programme and in fact has no other programme to implement. A reminder seems necessary that this organisation is not the National Operation Flood Board but the National Dairy Development Board-that it is basically committed to dairy development and not to any particular programme. Otherwise, means seem to be confused with ends, to the extent that implementing the programme becomes an end in itself instead of a means to an end. Perhaps organisations have to learn to distinguish between a charter (of ends to work towards) and a programme (of means to attain these ends). The present total identification of the NDDB with a single programme inevitably leads to a situation where criticism of the programme is taken as criticism of the NDDB. And instead of turning its own critical eye to check on the validity of the arguments against the programme—as the organisation could do if the programme were perceived as something separate from itself—the organisation which sees the programme as itself responds to erities of the programme as attacking itself, and reacts emotionally, defensively, illogically and subjectively.

Although our argument has been in the case of the NDDB that contradictions in organisational behaviour arise largely out of contradictions in organisational structure, we would like to follow up what we have said in the last paragraph, viz, "Keep a dispassionate distance from your programme", with some other general do's and don'ts for organisational behaviour in situations of controversy. Our prescriptions are based on the NDDB case, but now on the level of behavioural rather than structural analysis.

"Don't promise the moon-you may be taken seriously." Organisations should not succumb to the politician's syndrome of proferring unrealistic and insincere promises in order to get elected or re-elected. Much of the controversy over Operation Flood could have been controlled if unrealistic targets such as "self-sufficiency in five years" had not been set, and expectations that the programme would make an impact on rural poverty and unemployment had not been aroused. If an organisation wants to keep controversy at a managable level, it should direct its programmes towards realisable targets and objectives. This in turn involves thinking in the long term perspective, not just pushing the programme through 'now' or getting it extended with fresh gimmicks 'for another five years'.

"Take note of strategic groups outside the organisation." A programme with developmental dimensions should not be shaped only with reference to the government, funding agencies, politicians and

bureaucrats, but in consultation with groups having similar developmental interests. Given the claims of the NDDB that the Operation Flood programme would restructure rural India, it was inevitable that voluntary organisations and social scientists would confront these claims, with the consequent controversy that the NDDB proved unable to handle without contradiction. Had these groups' concern been recognised beforehand, awareness within and debate by the NDDB might have been significantly different.

"Evaluation is good for you." Notwithstanding the letter from the NDDB campus quoted earlier, an organisation is not a temple where scrutiny amounts to sacrilege. Evaluation is the compass that reassures an organisation that it is moving in the right direction, and without which it might drift or run aground or be hijacked. The public drama whereby seven hundred officers of the NDDB threatened to resign because the government ordered an evaluation of the organisation can only be deprecated. A more mature response-and one which would have enhanced the NDDB's image and strengthened its credibility-would have been: "By all means, go ahead with the evaluation. We've been doing our best and will be glad to know of ways in which we can improve our performance."

"Try to be your own strongest critic." If constructive criticism is built into an organisation's mode of functioning, the pressure of criticism from outside will be correspondingly balanced, and indeed comparison of internal and external criticism will yield useful insights. Thus, when a journalist or a social scientist levels a criticism at the organisation or one of its programmes, instead of reacting with "How can we hit back at this nasty person?", the organisation should ask itself: "Is this correct? If so, why didn't we spot it ourselves? How are we going to set it right? And how do we gracefully admit our change in position?"

"It's all right to be wrong." An organisation should bear in mind that it is only an organisation. It is not God, so need not aspire to be all-knowing and infalliable. In fact, openness to modification and readiness to learn should be part of a strategic organisation's ethos. The problem with the NDDB is that it is used to public admiration and fears that this admiration may be shaken if it is seen to make mistakes. Not at all. A mature organisation admits to its mistakes and learns from them, and a mature public appreciates it for doing so. In fact the NDDB is in an unusually strong position to do this, since it enjoys greater public, official and international support than most other organisations in India and could have openly changed its stand without forfeiting this support.

"React, but don't overreact." Thickskinned organisations pay no heed to criticism of them. Ostrich organisations bury their heads in the sand and hope that controversy will recede. The NDDB is neither of these, for it reacts. Unfortunately, however, it overreacts. Thus 'The White Lie'. a six page article by Claude Alvares in the Illustrated Weekly of India criticising the NDDB and Operation Flood, unleashed a literal flood of reaction by the NDDB: a rejoinder in the same periodical, a 44 page. booklet entitled "A Black Lie", two volumes of articles favourable to the NDDB and Operation Flood compiled from various newspapers and magazines... Surely the rejoinder would have sufficed? The quantitative bulk of this reaction was not matched by the qualities of clarity and consistency, as we have attempted to show in earlier sections of this paper. Despite the show of strength, therefore, the NDDB did not defend itself adequately, nor was the public educated on the issues under debate. What was in fact achieved was the triumphant launching of Claude Alvares' career as an investigative journalist. Not exactly what the NDDB had intended, although it was the force of the organisation's reaction which propelled the launching.

"Maintain the dignity of debate." India already has a multi-erore film industry to provide the public with melodrama, farce, rhetoric, heroes, villains... and this industry carries out these functions admirably. There is no need for strategic organisations to participate in the entertainment business, especially since these organisations are urgently required to remain in the developmental sphere. Strategic organisations should not respond to controversy with hysteria, denunciations, outrage and poses of wounded nobility as the NDDB did. An organisation has little to lose and much to gain by defending itself quietly, clearly, coherently, convincingly and decorously. Even when critics thunder and thump, a lowkeved dignified response will be more effective. People may wave red scarves of provocation at you, but you don't have to react with the mindless frenzy of a bull—even if your institutional emblem is the Mohenjo Daro bull. The better your case is, the less noise you need to make.

We end this paper with a hope that the analysis of organisational behaviour will come to grips with the question of controversy in order to benefit stratègic organisations such as the one which we have chosen here for a case study. A distinct body of theory and applications must emerge to help organisations respond to controversy as a stimulant, a catalyst, a challenge, a spur to greater efforts, and an opportunity for growth and development. Other case studies of variant situations are required for this, but also a corresponding expansion and retailoring of some theories of organisational behaviour.

#### Notes

[This is a revised version of a paper originally presented as a single author contribution to the international conference on Organisational Behaviour and Development held at the Indian Institute of Management, Ahmedabad, from December 29, 1986 to Jaunary 2, 1987. The authors express their gratitude to: the Indian Institute of Management and Pradip N Khandwalla for an opportunity to present the views embodied in this paper; the National Dairy Development Board office in New Delhi for use of their library; and P V George for a steady supply of press clippings over the years.]

- 1 See Kurien, 1978b.
- 2 See Crotty, 1977.
- 3 See Baviskar, 1983.
- 4 See Patel, 1986.
- 5 See Alvares, 1984.
- 6 See Aneja, 1983.
- 7 See George (1987: 15-21) for an elaboration of the following argument:

"... soon after independence, the nation's constitution established that dairy development would be a state subject... Each Indian state was thus entitled to an agency of dairy development... Simultaneously, the central government's ministry of agriculture also covered dairy development...

"The establishment of the NDDB in 1965 began a significant shift. As a registered society, its role is that of a parastatal. It thus lies outside the original centre-state framework, and in its initial years functioned mainly as an advisory body...

"It was in 1970, with the inauguration of the Operation Flood programme, that the modest, largely advisory dairy development board outside the central and state government structure acquired muscle...

"In an unusual annexation, an institution introduced as an "annexe" to central government dairy development agencies then evolved in a manner which "annexed" those agencies" (ibid).

- 8 An attempt by the NDDB to claim credit for achievements in the dairy sector in Maharashtra was foiled by alert state politicians who pointed out that policies quite opposed to those of Operation Flood were responsible for increased milk production and procurement (e g, Shinde, 1987).
- 9 See the four papers on Anand pattern dairy cooperatives in Attwood and Baviskar (eds).
- 10 Personal communication from S G Kolhe, chairman of the Sanjivani cooperative sugar factory, Kopargaon.
- 11 A merger of the NDDB and the IDC has been advocated (see Jha Committee: 1984), and parliament recently passed a bill to this effect (*Times of India*, August 27, 1987). It will be interesting to see what organisational form will result from this merger when it takes place.
  - 12 The most recent controversy involving the NDDB is whether dairy imports from the EEC include stocks contaminated by the radio-active fall-out over Europe from the Chernobyl accident in April 1986. We have not discussed the issue, because at the time

of final revision of this paper, the matter was before the supreme court.

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  - (Ordinary news items have not been listed here, since their sources and dates are given in the text).

#### APPOINTMENTS

#### INSTITUTE OF SOCIAL STUDIES TRUST

A research and development organisation in Delhi invites applications for the following posts:

Project Director: Rs. 2500 p.m. rural women's production groups; Social Worker: Rs. 1200 p.m. for Family Counselling; Research Associates: Rs. 1500 p.m. for field work in rural areas; Library & documentation technician: Rs. 2000 p.m.; Stenographer: Rs. 2000 p.m. preferably with the computer & publication skills."

Apply to Administrator, Institute of Social Studies Trust, 5, Deen Dayal Upadhyay Marg, New Delhi-110 002.

#### RALLIS INDIA LIMITED

It is hereby notified for the information of the public that RALLIS INDIA LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for establishment of New Undertaking. Brief particulars of the proposal are as under:

1. Name and address of the applicant RALLIS INDIA LIMITED

Ralli House

21, D. Sukhadvala Marg Bombay 400 001

2. Capital structure of the applicant organisation Capital structure of Rallis India Limited as on 1st November

1987.

(Rs. lacs)

AUTHORISED.

1,00,00,000 Ordinary Shares of Rs. 10/- each 1000.00

ISSUED AND SUBSCRIBED:

952.31 95,23,070 Ordinary Shares of Rs. 10/- each Add: Amount paidup on forfeited shares 0.02 952.33

3. Management structure of the applicant organisation indicating the names of the Directors, including Managing/ Wholetime Directors and Managers, if any

The Company is managed by a Board of Directors

consisting of

Mr. DS.Seth - Chairman Dr J.A Mehta Director - Director

Mr. Y.N.Mafatlal Mr VN.Nadkarni Mr S.Parthasarathy Mr DR Peters

- Director Director Mr. HJSilverston Director Mr. JK Setna - Director Mr. V.I.Sheth Director

Dr. Ram S.Tarneja Director Mr R.D.Thomas Director Mi J.S.Hewitt - Alternate Director to

D.R Peters

Director

4. Indicate whether the proposal relates to the establishment . of a New Undertaking or a New Unit/Division

The proposal relates to the establishment of a new

undertaking

5. Location of the New Undertaking/Unit/Division

The new undertaking is proposed to be set up in a centrally

declared Backward area in the State of Maharashtra

6. Capital structure of the Unit/Division/Undertaking

Same as in (2) above.

in case the proposal relates to the production, storage, supply, distribution or marketing or control of any goods/articles indicate-

Names of goods/articles	Proposed Licensed Capacity	Estimated Annual Turnover
(1)	(ii)	(iii)
Carbofuran Technical and its formulations	400 Tonnes	1644.00 lacs

8. In case the proposal relates to the provisions of any services: state the volume of activity in terms of usual measures such as value, income, turnover

Not applicable

9. Cost of the project

Rs. 347 lacs.

Scheme of finance, indicating the amounts to be raised from each source

Rs. lacs Debentures Internal resources

900 147 347

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, .Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the notice of his interest thereon.

Dated this 16th day of March, 1988

RALLIS INDIA LIMITED

B.K. LASKARI COMPANY SECRETARY

### **Good Health Makes Good Politics**

Jon E Rohde

Implementing Health Policy by Meera Chatterjee; Manohar, New Delhi, 1988; pp 324.

THROUGH 40 years of independence, countless seminars, workshops and committees have convened, deliberated and produced voluminous recommendations aimed at improving the health of the nation. But not until 1982 was the National Health Policy formulated, committing the government to provide 'health for all by the year 2000'. An ambitious strategy for social equity and justice, the policy reviewed the country's medical heritage, its constitutional mandates and established goals and strategies for universalising comprehensive primary health care oriented at bringing the benefits of modern medicine through community participation and self-reliance into every village and home in India. Meera Chatterjee critically analyses the essential strategies of that new policy in the light of the realities of today's programme implementation in the health sector.

Her initial chapter is a succinct overview of the essential elements and implications of the policy document itself. She points out the difficult obstacles to implementation, recognising the tendency of health planners to focus on single disease problems with a vertical thrust, interventions inherently at odds with the basic principle of primary health care which advocates comprehensive actions rooted in community decision making and addressing the wide array of underlying causes of ill-health. Recognising that no health system can bring maximum impact unless it is truly universal, it is also clear that a large segment of the population is alienated from and has little access to existing government health services. How can a centrally planned programme genuinely address the decentralised and heterogeneous needs of five lakh communities throughout the country? Chatterjee concludes her introduction observing that above all we must recognise that the roots of ill-health lie in poverty and inequitable social structures, areas far beyond the purview of the government health services. In face of these obstacles, how, she asks, are we doing?

After a pragmatic definition of primary health care in which she focuses on the essential elements as accessible, acceptable, affordable as well as technically sound, appropriate and decentralised, Chatterjee asserts that it is neither 'primitive' nor simple. She emphasises its roots in the community, its emphasis on appropriate technology and high impact interventions on common problems, its reliance on effective organisation and delegation and points out that while it may be low cost, it is far from cheap and will require increased budgetary

allocation to obtain its goals. Chatterjee then reviews political obstacles including the legal dilemma which places health under the Directive Principles of State Policy rather than as a fundamental right within the constitution. Paradoxically, health, as a state subject, depends heavily on the centre for finance as well as policy and technical direction. Vested interests, ranging from health professionals to the upper middle class, drug manufacturers and even international agencies whose health agenda may differ substantially from that of universal low cost health care compete successfully for limited resources. The proof of their success is evidenced by extensive urban based modern curative facilities in a country where some 3 lakh infants die annually from tetanus of the newborn for lack of one rupee worth of vaccine given to each mother.

While there is no doubt that substantial reductions in death rates and diseases of public health importance have been achieved over the past forty years, Chatterjee documents the extreme differentials which characterise the inequity of development in this sector. In the face of declining mortality, the poor and the deprived, the rural and the illiterate, females and the very young, continue to die at rates substantially greater than prevailing in non-disadvantaged groups. Even worse, the decline in their death rates appear to be slower or even faltering. As in so many sectors, averages obscure the harsh reality of continued high mortality, extreme morbidity, and extensive deprivation among women, infants and children.

Western analysts have pointed out that development itself together with improved nutrition, income, sanitation and education have been the major factors to increase life expectancy in western countries. But Chatteriee rightly points out that these changes occurred before the modern era of effective vaccines, of antibiotics, of oral rehydration therapy against diarrhoea, of malaria control, of tuberculosis medicines, of effective contraceptives and the like. Today, health care equitably provided can make a difference if adequately provided to those most in need. She proposes a strategy based on sound epidemiologic principles targeted at high mortality districts, at women, at infants and children, in short, at the silent majority. Following the best principles of both economics and epidemiology she candidly suggests: put your money where the problems are greatest and the solutions already known and affordable.

Following a review of extensive ill-health among women and the inaccessibility of ap-

propriate services to meet their needs, Chatterjee presents a unifying strategy whereby major public health investments should be targeted at women and, through women, to their household and family. She points out that heretofore health programmes have been either individual oriented or community approaches while in fact the major providers and potential beneficiaries of health care at the household level are women. Herein is a practical strategy effectively knitting diverse elements of development together: education, employment, nutrition and health care; an environment in which true planning for the welfare of the family through wonten will eventually include the obvious requirement for the planning of births as well.

In her chapter on community participation, Chatterjec provides ample illustration of the fallacy that assumes community based health services automatically ensure community control. To a large extent these have been simply the community participating in the programmes of the state. True involvement of the people in their own health awaits community articulation of their own programmes in which the state will be the participant. Till then, the potential of community action will remain elusive.

The tendency to eulogise the private voluntary health sector is explored with a recognition that at best, voluntary agencies can hope to lead the way in terms of small and responsive activities often serving disadvantaged groups. The challenge is of course to expand implementation to larger populations, the 'going to scale' so widely sought. The community health guide scheme is a perfect example of an effort to scale up activities pioneered in private sector, found to be successful, but in the very process of reproduction and universalisation lost its very heart and soul and became more often than not tokenism. Flexibility, dynamism, and innovative management all tend to make PVO efforts unique and hard to extend beyond the reach of their dedicated leaders. Voluntary agencies can play a most important role leading the way with greater flexibility than the government, but this does not absolve government from its responsibilities for population wide health care.

Exploring the adoption of appropriate technology to primary health care, Chatter-jee uses the example of growth monitoring in India. First conceding its theoretical advantages as a tool "useful for preventive, diagnostic and curative health work" applicable to both screening large populations as well as to motivating individual mothers to follow improved behaviour in feeding and child care, she proceeds to ascribe its failure in implementation to a dozen propositions pre-requisite for successful adaptation of technology. While some, such as adequate supply and proper maintenance logistics (scales, weight charts) could readily be

remedied, the inadequate understanding by all levels of staff-doctors. ANMs, and especially Anganwadi workers-and the total inadequacy of their training in growth monitoring is an absolute impediment to success. Inappropriate design of communication tools (weight card), lack of targeting to increase efficiency and lack of integration with other relevant services, most particularly health, further ensure failure. Small wonder that growth monitoring is widely perceived as an 'inappropriate' technology, rather than a very useful tool that is simply not being applied properly. I have recently applied Chatter jee's 'propositions' to other primary health care technologies: immunisation, oral rehydration therapy, reversible contraceptives, iodised salt, and found that each of these components of government health programmes profit from the resulting, analysis and insights. Rather than reject the technology outright, one can then identify where the process of adaptation is lacking and take remedial action, saving the baby from the fate of the bath water.

In the provocative chapter entitled 'Life without Food', Chatterjee reviews the popular enchantment with the Kerala success pointing to the fallacy of many idealistic notions behind the dramatic fall in Kerala's mortality and fertility. Largely a concatenation of historical factors which have synergistically resulted in progressive demographic trends in spite of persistent poverty, she contends, "the approach that promotes Kerala as a model for other states in India (and other developing countries) does not pay adequate attention to what is not duplicable about Kerala—which is not just its structure, but its history".

In no other publication have I found such a complete analysis of government resource allocation as applied to the health sector. Not only historical trends and data are presented in adequate detail (12 tables) but also a clear explanation of revenue and capital expenditures by centre and state governments are presented and analysed. The bottom line points out the relatively meagre resources, only 3.8 per cent of the government budget, today allocated to the health and family planning sector. Forty years ago the Bhore Committee called for 15 per cent, revised downward by the more recent Ramalingaswami Committee to 8 per cent; we're still woefully short of even this modest target.

Summing up, Chatterjee finds hope for realisation of the National Health Policy only through: (1) increased political demand for changes and improvement in the health sector, (2) resulting decentralisation of implementation and control, (3) wider dissemination of appropriate and affordable health technologies, (4) greater attention to the synergism across the various social and economic sectors rather than assuming that health services alone will bring health, and finally, (5) by an increase and redistribution of health resources. She concludes that good health makes good politics.

This book provides penetrating insights and powerful suggestions. The author has chosen critical issues in the implementation of an enlightened social policy, testing whether that policy can indeed be expected to yield the improvement in life expectancy and reduction of ill-health already enjoyed by large segments of India's 80 crore people. Not only the deficiencies in resources, neglect in appreciation of critical factors such as nutrition or environment, and the passive role given to the community are explored as examples of extreme vulnerability in the present government health efforts, but also, the author identifies and develops several useful approaches to rectifying the weakest elements. Reallocation of existing resources to those areas and groups suffering the highest burden of death and sickness, along with a women centred approach to family health deserve serious consideration in formulating the Eighth Five-Year Plan.

The book uses the National Health Policy as its departure, exploring its implementation and impact. But the largest part of the health sector, private medical practice, lies outside the author's mandate. The felt needs of most consumers are hardly reflected in the present government-run health system. Numerous surveys document the strong preference of rich and poor alike to consult private 'doctors', regardless of formal qualifications or training. The proliferation, not only of indigenous and traditional systems of medicine, but more so of uncontrolled 'medicine shops' where self-styled 'doctors' dispense a bewildering array of drugs, tonics, injections and potions are testimony to the public disillusionment with the 'free' medical services provided by govern-ment. Coupled with the largest pharmaceutical industry in the world, the entrepreneurial talents of would be healers make selling medicines (in contrast to medical care) big business in India today. While the relative importance of the private medical world is recognised in the National Health Policy its reflection in national programmes is barely seen.

To pursue the Illichian ideal wherein each person becomes responsible for his own health and to eliminate all control or professionalisation of health will result in utter chaos. This is to a large extent, what we face today, for in spite of policies and laws, practice of medicine is open to almost anyone who cares to set up a shop and hang out a sign. With the largest drug industry in the world (latest count shows more than 16,000 registered pharmaceutical firms—in contrast to some 12,000 primary health centres) and over 60,000 registered pharmaceutical preparations, the medical market place has become little more than a massive pharmacy and private practitioners little more than purveyors of drugs and tonics. India has passed beyond self-sufficiency in drugs and medical man-power, which reach into nearly all its 5 lakh villages. But can these vast resources be channelled to serve the best interests of the public? On this critical point the policy is indeed quiet.

But while the business of medicine is thriving, ill-health still abounds. The benefits of modern science must be harnessed by the government to meet goals of social equity and community responsiveness. Meera Chatterjee provides some useful suggestions, concluding her analysis with reference to 'political dividends' attendant upon a major commitment to improved health. "The provision of health care could also be viewed as an effective political strategy." Only then will the promise of the National Health Policy for 'health for all' be a serious offer to the people of India.

## Without Focus or Perspective

#### Deena R Khatkhate

Money and Finance in World Economic Order edited by V R Panchamukhi, K M Raipuria and Rameshwar Tandon; India Publishing Company, New Delhi, 1987; pp xxxii + 468, Rs 325.

INDIA may be a developing country; it may have a crawling rate of growth, but in one respect its advance is awe-inspiring. Over the last few years, the number of economic and social research institutions and their joint product represented by their publications is simply unbelievable. At the drop of a hat, an economic research centre is set up regardless of whether there are the right type of researchers to man it, to prove its existence; a series of publications are then put out, no matter whether their quality justifies them; most of these institutions are funded directly by governments, both central and state, and indirectly by their financial institutions which have become an esay source of finance after the nationalisation of the financial system. Since those who pay the piper call the tune, the so-called research is servile in approach and equivocal in commenting on current policy issues so as not to cause any embarrassment to the government. A proliferation of such research institutes has resulted in the most damaging of all price-distortions prevailing in Indiaover-pricing of the economist relative to the natural scientist and the specialist in other social disciplines. It will be quite an interesting field for an emerprising investigative journalist to do the arithmetic of finance involved in running these institutes, to go into the innards of their managerial structure and to assess the quality and usefulness of their research. I am sure the resulting report will be very illuminating not only to the academia in particular but also to the taxpaying public at large.

These reactions are triggered by the happenstance of my reading the book Money and Finance in World Economic Order

brought out by Panchmukhl, Raipuria and Tandon on behalf of the Research and Information System for the Non-Aligned and Other Developing Countries, called RIS for short. This book, one in a long series of about thirty-one publications advertised in newspapers and economic weeklies, has a very imposing title, a good jacket and a fine print. One's interest is roused by what the editors have stated in the preface and the blurb. "RIS is a forum for providing analytical support to the developing countries on the various International economic issues of concern to the process of their development! A lackadaisically written blurb announces that the book purports to offer an informal and well-founded critique of the existing international economic system and ends on a grandiose note, saying that "This book should prove valuable and stimulate interest of government departments, economists...international agencies, research institutes, universities..." However, the book is nothing of this sort. It collects together indiscriminately all manner of articles published some years ago barring a few, without even being conscious of the fact that many of the articles defeat the laudable goal the editors have set before themselves. The difficulty with this volume is not because it contains published papers; many such volumes are being brought out all over the world. The failure lies in the lack of perspective on the part of the editors. If they are keen on presenting a viewpoint of the developing countries, it is not evident from several articles which are included therein.

Take first the atricles on IMF conditionality. There are in all six articles on the subject by Dell, Donovan, Eckaus, Gulati, Williamson and Gerster. Of these two by Donovan and Williamson take a position on conditionality which is totally opposed to what developing countries have been clamouring for. None of these papers except those by Eckaus, Dell and Gulati should have figured in this volume, if the editors had a proper perspective. There is no attempt at analysing how conditionality is evolved and designed and what factors bias it against LDCs. There has been a considerable amount of work in this area, spurred by the International Institute of Finance and the G-24 Group. The output of the latter is now available in the volume brought out by North-Holland. These issues have been thoroughly debated but the editors seem totally unaware of this fact.

The slipshod nature of the work of the editors is seen in the choice of the papers. An ancient paper by Arjun Sengupta is included but his most relevant, thorough and highly analytical paper 'The Functioning of the International Monetary System: A Critique of the Perspective of Industrial Countries' which appeared in World Development in 1987 has been excluded. A severe indictment of the floating exchange rate regime by Shafer and Loopesko, published in Brookings Papers as far back as 1983, would have served the purpose of this volume far

better than those that the editors have reproduced on the exchange rate system.

A plum prize must go to one of the editors, Raipuria, whose paper betrays total ignorance about the international monetary system. He describes in a routine way how quotas are determined in the Fund and the consequent voting powers and concludes that "... as many as 109 countries having less than I per cent share in total vote are facing a decline in share of total voting power" and that "it is shown that out of 113 countries facing a decline in percentage share in quotas, as many as 38 countries fall in the category of low-income and 46 countries in the category of middle-income countries." Was the author startled by this discovery? The conclusion is tautological and is implicit in the way quotas are calculated. The countries whose quotas and voting power declined have also recorded either low or no growth in any of the elements which determine'the size of quota. If he has any alternative, he should have suggested as many others have done. But instead of doing this, he just states the obvious.

The same insouciance in selection of articles is reflected in including K N Raj's paper. I quote from page 204 "...though important segments of the industrial structure of the United States can maintain their external competitive power only if the value of the dollar in terms of currencies like the deutsche mark, an yen is allowed to depreciate considerably. This has been found to affect adversely the confidence in it as a reserve asset and thereby the financial power the country is able to exercise the wo.ld over; consequently it has by stages drifted toward policies that help to retain its financial hegemony at the cost of promoting deflationary pressures. Essentially, this position has to be revised if a process of strong revival is to be instituted and sustained in countries within the capitalist sphere. But this depends as much on political process, within the United States as in outside and there are therefore no easy solutions one can suggest. The practical question now is what can be attempted meanwhile, particularly by third world countries in defence of their interests with a view also to expediting the political process on a global scene." Remember, this observation of Raj is reproduced at a time when what Raj did not expect to happen has already happened. The United States has allowed the dollar to depreciate by as much as 40 per cent without any pressure from LDCs. Has this development attenuated America's financial hegemony? Has it helped the LDCs? Raj made these speculations a few years ago and one cannot quarrel with him if his analysis went awry. This happens all the time to economists all the world over. But to reproduce it in 1987 (incidentally the editors' footnote to Rai's article makes no mention of when Raj's article first appeared) is a telling commentary on the judgment or even the understanding of the editors about the functioning of the international monetary system.

The book is misnamed because an unwary reader would believe it to be on the monetary and financial system and policy in world economic order, whatever that may mean. Its content is misplaced because as I tried to demonstrate earlier, it has no focus, and much of it is dated and irrelevant. It is misedited because most of the footnotes to the papers refer only to the journals from which they are reproduced without the date or year of the issue; references are cited without any bibliography at the end of the paper (see for example, paper 2 by Crazon Siddayao); the editors have dismally failed to outline in the introduction a framework for discussing the issues.

These strictures may sound harsh which they are. But they have been motivated not so much by any animus towards the persons associated with this book or the institution which sponsored it as antipathy to the phenomenon of mushrooming of research institutes, spawning shoddy and pseudo research and a sheer waste of public money. It is time for those who are at the helm of these institutions to sit back and ponder over what they are doing.

#### INDIAN ECONOMIC ASSOCIATION

The Indian Economic Association invites research papers from its members to be presented at its next Annual Conference scheduled to be held at Jadavpur University, Calcutta, in December 1988. The subjects chosen for the Conference are:

- (i) World Economic Crisis;
- (ii) Interest Theory and Policy; and
- (iii) Decentralised Planning.

Papers should be received before 31st July, 1988 at the office of the Association's President, Dr. C. Rangarajan, Deputy Governor, Reserve Bank of India, Central Office, Post Box No. 1036, Bombay-400 023.

# Small-Scale Industrialisation: The Indian Experience

J C Sandesara

This paper is a review of the Indian experience of promoting small-scale industry over the last four decades and is based on official reports and academic studies on the subject. The first part outlines the background of the Indian industrial system with special reference to small industry. The second part traces changes in the growth and diversity of small industry. The third and the fourth parts present the rationale of policy and programmes and a resume of the main findings. An attempt is made in the fifth part to account for the significant findings and to highlight their implications. The sixth and final part deals with issues of policy and further research.

#### I Small Industry in Perspective

PROBLEMS of India's industrial economy have to be viewed in the context of India's industrial system. This system consists of policies, plans and regulations. Policies lay down broadly the objectives and their rationale and the strategy to subscrive these objectives. The plans lay down in specific terms the targets of expenditure and physical achievements for major groups of activity in the private as well as public sectors on the basis of the general approach laid down in the policy framework and within the objectives and strategy of each plan. The execution of the plans is sought through public sector outlay and private sector investment and through the existing system of industrial regulation which is subject to modifications from time to time.

#### INDUSTRIAL POLICY RESOLUTIONS

Industrial policy is governed by the Industrial Policy Resolution which was passed by parliament in 1956. It replaced the earlier Industrial Policy Resolution of 1948. The 1956 Industrial Policy Resolution specifies the fields of activity for the public and private sectors in industry and lists the broad objectives of industrial policy, explains their rationale and suggests strategies to subserve the objectives. One of the objectives of this resolution relates to the small industry sector. In this context, the resolution says:

The government of India would .. stress the role of cottage and village and small-scale industries in the development of the national economy. In relation to some of the problems that need urgent solution, they offer some distinct advantages. They provide immediate large-scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country.

The state has been following a policy of supporting cottage and village and small-scale

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industries by restricting the volume of production in the large-scale sector, by differential taxation or by direct subsidies. While such measures will continue to be taken, whenever necessary, the aim of the state policy will be to ensure that the decentralised sector acquires sufficient vitality to be self-supporting and its development is integrated with that of large-scale industry.<sup>1</sup>

Later, government of India issued two policy statements—one in 1977 and the other in 1980—both of which reflect government's communed concern for this sector.

The main thrust of the New Industrial Policy will be on effective promotion of cottage and small industries widely dispersed in tural areas and small towns. It is the policy of the government that whatever can be produced by small and cottage industries must only be so produced.<sup>2</sup>

Government is determined to promote such a form of industrialisation in the country as can generate economic viability in the villages. Promotion of suitable industries in rural areas wilt be accelerated to generate higher employment and higher per capita income for the villages in the country without disturbing the ecological balance. Handlooms, handiciafts, khadi and other village industries will receive greater attention to achieve a faster rate of growth in the villages.<sup>3</sup>

The statement proposed the establishment of nucleus plants in industrially backward districts to promote faster growth of small scale industries.

It must be stated that the Industrial Policy Resolutions also enunciate other objectives for industry. Among the more important of these other objectives are:

- 1 Acceleration of the rate of industrial growth, with special emphasis on production of basic and heavy industries and on their production in public sector,
- 2 Promotion of self-reliant industrialisation—substituting imports and expanding exports,
- 3 Reduction in disparities in the distribution of industrial activity among different regions in the country, and
- 4 Prevention of concentration of economic power in private hands.

PRIORITIES AMONG VARIED OBJECTIVES

Thus, there are live major objectives of industrial policy-the above four-and promotion of small industry. The objectives are varied and conflicting. Also, inter se priorities are not specified. This is perhaps easier said than done. Any way, one implication of this position is that anything can always be defended or justified in terms of one or the other objective. Thus, for example, the location of a large plant in an industrially backward area by a very large private company can be commended on the basis of the objective of reducing disparities in the distribution of industrial activity but can be criticised on the ground of accentuating concentration of economic power in private hands, as also on the ground of slackening in industrial growth (in view of pre-emption of some resources for investment in infrastructure in the backward area when bereft of it, instead of investing them directly in manufacturing). There is also the tricky question of relative weights of the pulses and the minuses of different objecives in such decisions.

It will perhaps not be seriously disputed that on paper, while the above objectives have received equal emphasis in various official documents throughout the last forty years, in practice it is the objectives of rapid industrial growth with special emphasis on production of basic and heavy industries and on their production in public sector and of self-reliant industrialisation which have been pursued more vigorously than other objectives. An implication of this position is that in case of conflict of objectives the question of priority has been settled in general in favour of these objectives. This seems to be especially true for a very large part of the thirty-year period since 1956, barring a brief interlude of four or five years beginning 1969 when there was a split in the Congress Party. It must also be added that barring a brief interlude of 1977-80, the Congress Party has been in power for the greater part of the period at the centre and in most of the states. So, at the government level, the objectives of industrial growth and self-reliance can be said to have reigned supreme almost throughout the period. Secondly, the interlude of four years is surely too brief for various reasons to leave an enduring and favourable imprint on the other objectives. It takes time to dismantle the previous strategy (which was designed to serve a different objective), to devise appropriate strategies to serve new objectives.

Space does not warrant claboration of the above point. But we may be permitted to refer briefly to two illustrations suggesting low priority accorded to the other three objectives. First, following the 1956 Industrial Policy Resolution and the initiation of the Second Five-Year Plan (1956-1961), government of India adopted a number of measures to subscrve the objectives of rapid and self-reliant industrial growth with special emphasis on production of basic and heavy industries and on their production in public sector. Some of the more significant measures included: protecting industry against imports, diverting growing savings increasingly into industrial investment, giving special facilities and incentives to priority industries, expanding public sector by starting new enterprises and nationalising private enterprises in industry, infrastructure, finance and trade. However, it was only during the late sixties that some serious thought was given to devise strategies for reducing the skewed distribution of industrial activity among different regions and prevention of concentration of economic power in private hands. The Pande and the Wanchho working groups submitted their report in 1969 and following their recommendations, backward areas were identified and measures to help growth of industry in these areas were initiated. Similarly, the Monopolies Inquiry Commission submitted its report in 1965, and following its recommendations. the Monopolies and Restrictive Trade Practices Act was passed in 1969 and a commission was established under this Act in 1970 to help curb undue concentration of economic power in private hands.

## SMALI INDUSTRY: A LOW PRIORITY OBJECTIVE

The small industry promotion objective does not seem to have suffered that badly on the policy formulation angle as the above two objectives. Following the broad guidelines given in the Industrial Policy Resolution and in the five-year plans, government of India, state governments and union territories and the agencies and institutions sponsored by them have been pursuing a policy of protecting and promoting small industry for long since independence. They relate to information, consultancy, entrepreneurship development, training modernisation and technology support, industrial estates, raw materials, marketing, finance, reservation, ancillary development, etc.4 But it does seem to have suffered in the relative allocations of outlay and investment in the plans.

In this context, it may be instructive to

look at the allocation to small industry from plan to plan since 1951. Table 1 gives the relevant statisties of the public sector outlay. Of the outlay in the public sector, outlay on industry in the First Plan (1951-56) was 5 per cent of which the small industry had 2 per cent and the large industry 3 per cent. With the Second Plan (1956-61) industry becomes the king-pin of economic growth, and from that plan till 1979-80, it retains that position with industry outlays forming 20 to 25 per cent of the total plan outlays. However, the small industry outlay continued to be relatively small, forming between 1.5 to 4 per cent of the total plan outlays during this period. During the Sixth and the Seventh Plans, infrastructure became the dominant sector, and the outray on industry shrank to 16 and 13 per cent in these plans. And here also, the outlay on small industry was 1.8 to 1.5 per cent of the total. Thus, for the last forty years, the small industry has remained a poor cousin of large industry, getting between 1.5 to 4 per cent of the total outlay in the public sector since 1951 and from 1.5 to 2.1 per cent since 1966.

For a more accurate portrayal of investment in small industry, one must, however, include private investment alongwith public sector outlay, as the bulk of output and investment in the small industry sector originates in the private sector. Here, we are handicapped in that the relevant statistics on private sector investment for all the plans are not easy to come by. But the statistics on aggregate outlay, available for the Second, the Third, the Fourth and the 1978-83 Plans, suggests that the relative position of small industry was not very different from the one portrayed on the basis of public sector

outlays. Of the total outlays (public sector outlay and private sector investment) in these Plans, the outlay on the small industry sector accounted for between 3 to 5 per cent.<sup>5</sup>

To conclude this part: small industry promotion has been one of the five objectives of India's industrial policies and plans. While these objectives seem to enjoy equal status on paper, in practice some objectives, including the small industry promotion, have suffered from not having high enough priority status. The point relating to the small industry promotion objective is highlighted by the fact of relatively meagre public sector outlay and total investment on the small industry sector in all of Indian plans.

# II Growth and Diversity

There exists more than one definition of small industry, and on each there are statistics and statistics. These two facts have given food for cynical thought that one can say anything, even statistically, ranging from the most complimentary to the most derogatory, on small industry. There is, however, one thing on which there is little difference of view, and it is that small industry relates not to the small size of the industry as such, but to the small size of the industrial unit,6 whatever the criterion used for measurement of size and wherever the lines are drawn for demarcation of small from medium or large sizes. We guard ourselves against the danger of serious criticism in three ways: firstly, by specifying clearly each major definition of small industry used in the source; secondly, by giving all readily available statistics on each of these definitions; and thirdly by rely-

TABLE 1: PLAN OUTLAY ON INDUSTRY, 1951 TO 1990

(Rs Crore)

Plan/Years	Village	Industry	2 + 3	Total of	P	ercentages	of
	and Small Industries	and Minerals		All Heads	(2) to (5)	(3) to (5)	(4) to (5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1 First Plan (1951-56, Actuals)	42	55	97	1,960	2.1	2.8	4.9
2 Second Plan (1956-61, Actuals)	187	938	1,125	4,672	4.0	20.1	24.1
3.Third Plan (1961-66, Actuals)	241	1,726	1,967	8,577	2.8	20. t	22.9
4 Annual Plans (1966-69, Actuals)	126	1,510	1,637	6,625	1.9	22.8	24.7
5 Fourth Plan (1969-74, Actuals)	243	2,864	3,107	15,779	1.5	18.2	19.7
6 Fifth Plan (1974-79, Actuals)	593 )	8,989	9,581	39,426	1.5	22.8	24.3
7 Annual Plan (1979-80, Actuals)	256 )	2,384	2,639	12,177	2.1	19 6	21.7
8 Sixth Plan (1980-85 Actuals)	1,945	15,002	16,948	109,292	1.8	13.7	15.5
9 Seventh Plan (1985-90, Planned)	2,753	19,708	22,461	180,000	1.5	11.0	12.5

Sources: For First and Second Plans: Tata Services Limited, Statistical Outline of India 1980, Bombay, Table 182, pp 180-81. For other Plans, Government of India, Ministry of Finance, Economic Division, Economic Survey 1986-87, New Delhi, 1987, Tables, 2.4 to 2.7, pp S-31 to S-34.

ing generally on official statistics. So that if and when the reader feels uncomfortable with our interpretation, he would be able to draw his own interpretation easily and quickly on the basis of the material presented here or by refering to the original sources.

#### NATIONAL ACCOUNTS STATISTICS

Table 2 gives net domestic product at factor cost in 1970-71 prices for unregistered manufacturing, manufacturing and all activities for 1950-51, 1960-61, 1975-76 and from 1979-80 through 1983-84. A word about the definitions before we turn to the data. Manufacturing income is reported under registered and unregistered. Registered manufacturing income is the income originating from the manufacturing establishments governed by the Indian Factories Act, 1948, i e, manufacturing factories employing 10 or more workers on any day of the year when using power and 20 or more more workers on any day of the year when completely manual. Unregistered manufacturing income is the income originating from the other manufacturing establishments, i e, the ones not governed by the Factories Act, more specifically, the manufacturing establishments employing less than 10 workers on any day of the year when using power and less than 20 workers on any day of the year when completely manual. Manufacturing income is the total income of the registered and the unregistered sectors. One may roughly label the registered manufacturing as the large industry sector and the unregistered manufacturing as the small industry sector,

Manufacturing increased its share in the total national income continuously from 1950-51 to 1979-80 from 10 per cent to 16.2 per cent. Since then, however, the share has been lower. It was about 15 per cent in the next three years, and was 14.3 per cent in 1983-84. The share of unregistered manufacturing in the total income also shows a

similar tendency. It was 4.6 per cent in 1950-51; it increased continuously upto 1979-80 when it became 6.2 per cent; for the next three years, it was between 5.4 to 5.6 per cent, but declined to 5.3 per cent in 1983-84. The share of unregistered manufacturing in total manufacturing has fallen by 9 percentage points over the period, from 46.3 per cent in 1950-51 to 37.3 per cent in 1983-84. It was 42.6 per cent in 1960-61, and between 36.3 to 38.9 per cent in other years. A general message of the table is that whereas both the large and the small industries grew over the period, the former grew at a faster rate than the latter, resulting in the decline in the share of small industry in the total industrial income. It declined from 46 per cent in 1950-51 to 37 per cent in 1983-84.

We now consider industry-wise statistics of unregistered manufacturing, following Table 3. The data relate to 1970-71 and 1982-83, the first and the latest years for which statistics of income in 1976-71 prices are available. Net value added (including imputed bank charges) for unregistered manufacturing as a percentage of total manufacturing declined by one percentage point between 1970-71 to 1982-83-from 37.3 to 36.3 per cent. This tendency of decline is shared by six industries, namely food products, wood and wood products, machinery, electrical machinery, other manufacturing and repair services. The share remained the same in basic metal and metal products and increased in the other eight industries. The share of the first six and the second two industries declined from 42.2 to 34.3 and from 7.0 to 6.5 per cent and the share of the last eight industries increased from 51 to 60 per cent between 1970-71 and 1982-83.

What are the major unregistered industries? Going by the share of unregistered manufacturing in total manufacturing in these two years (37.3 and 36.3 per cent) and classifying the industries with higher than these average shares as major, we find the same nine industries as major in both of the years. These are; food products, beverages, textiles, wood and wood products, leather and leather products, non-metallic mineral products, metal products, other manufacturing and repair services. The other seven industries may be called minor. The major industries lost their shares in unregistered manufacturing from 84 to 81 per cent and the minor industries increased their shares from 16 to 19 per cent between 1970-71 and 1982-83.

Textile, wood and wood products and food

Textile, wood and wood products and food products were the three most important industries in both the years with their shares of 25.4, 12.5 and 10.5 per cent in unregistered manufacturing in 1970-71 and of 31.5, 7.3 and 9.9 per cent in 1982-83. Their joint-share declined by 1.7 percentage point over the period, from 48.4 to 46.7. Basic metal, rubber and electrical machinery were the three least important industries, with their shares of 0.3, 1.0 and 2.0 per cent in 1970-71 and of 0.3, 1.4 and 2.2 per cent in 1982-83. Their joint-share increased by 0.6 percentage points over the period from 3.3 to 3.9 per cent.

#### PLAN STATISTICS

A second way of looking at the growth and diversity of small industry in India is from the Planning Commission reports. These reports divide the small industry sector into (A) traditional, (B) modern, and (C) others not covered by the groups specified in A and B. The groups specified in (A) are: (1) khadi, (2) village industries, (3) handlooms, (4) sericulture, (5) handicrafts, and (6) coir, and the groups specified in (B) are: (7) small scale industries and (8) powerlooms. The traditional small industries differ from the modern small industries in the sense that the former rely more upon human skill, manual power and primitive tools whereas the latter on mechanical skills and power, and improved tools. The Planning Commission estimates that this sector accounts for nearly one-half of the total manufacturing output.

Output: Table 4 gives data on actual output at current prices by these groups for 1973-74, 1979-80 and 1984-85 and for projected output for 1989-90. In 1984-85, traditional industries accounted for 12 per cent of the total output whereas the modern 87 per cent. Between 1973-74 and 1984-85, the traditional and 'other' groups declined relatively and the modern group increased its share. A large part of the increase in the latter appears to be due to the absorption by this group of the share of the 'other' group. The position in 1989-90 is projected to be about the same as in 1984-85.

Of the nine groups, small scale industries are by far the most important, accounting in 1984-85 for 77 per cent of the total output. Powerlooms, handicrafts and handloom trail with 10, 5 and 4 per cent. The balance

TABLE 2: NET DOMESTIC PRODUCT AT FACTOR COST IN UNREGISTERED MANUFACTURING, MANUFACTURING AND ALL ACTIVITIES, 1950-51 to 1983-84

(Rs Crore, 1970-71 prices)

					-	
Years	Unregistered	Manufac-	Total of		Percentages o	f
	Manufac- turing	turing	All Activities	(2) to (3)	(2) to (4)	(3) to (4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1950-51	775	1,674	16,731	46.3	4.6	10.0
1960-61	1,244	2,918	24,250	42.6	5.1	12.0
1970-71	1,745	4,619	34,519	37.8	5.0	13.4
1975-76	2,161	5,557	40,155	38.9	5.4	13.8
1979-80	2,694	7,073	43,804	38.0	6.2	16.2
1980-81	2,633	7,057	47,235	37.3	5.6	14.9
1981-82	2,697	7,402	49,641	36.4	5.4	14.9
1982-83	2,752	7,580	50,488	36.3	5.5	15.0
1983-84	2,916	7,813	54,458	37.3	5.3 '	14.3

Source: Data for 1950-51 and 1960-61 are from Central Statistical Organisation, Department of Statistics, Ministry of Planning, Government of India, National Accounts Statistics, New Delhi, January 1979, Appendix A1. 1, pp 136 to 139; those for 1970-71, 1975-76, and 1979-80 from ibid, January 1981, statement No 6, p 17; and those from 1980-81 through 1983-84 from Reserve Bank of India, Bombay, Report on Currency and Finance, 1984-85, Vol II, Statistical Statements, Bombay, Statement V, p 9.

of 4 per cent is shared by the remaining five industries.

The Planning Commission does not give data on output at constant prices for each of these groups. But it gives such data aggregately for the group in 1979-80 prices for the years 1973-74, 1979-80 and 1984-85. By using the relevant deflator we have worked

out the projected output of 1989-90 at 1979-80 prices. This data is given in Table 5. Accordingly, this sector grew at the compound rate of growth of 8.21 per cent between 1973-74 to 1979-80 and at 5.98 per cent between 1979-80 to 1984-85. It is projected to grow at 8.78 per cent during the Seventh Plan period (1984-85 to 1989-90).

Table 3: Value Added from Unregistered Manufacturing, 1970-71 and 1982-83
(Rs Crore, 1970-71 Prices)

1-december	1070 71	1003.03		(2) as
Industry	1970-71	1982-83	(2) as Percentage of Value Added in Manufac- turing	(3) as Percentage of Value Added in Manufac- turing
(1)	(2)	(3)	(4)	(5)
1 Food products	184	223	40.7	37.1
	(10.5)	(7.9)		
2 Beverages, tobacco and	104	181	51.2	58.7
tobacco products	(5.9)	(6.4)		
3 Textiles	446	887	42.8	47.4
	(25.4)	(31.5)		
4 Wocu and wood products.	220	206	87.7	84.3
furniture and fixtures	(12.5)	(7.3)		
5 Paper and paper products,				
and printing and allied	51	100	25.4	<b>33</b> .7
industries	(2.9)	(3.5)		
6 Leather and leather and	69	84	75.3	81.1
fur products (except repair)	(3.9)	(3.0)		
7 Rubber, plastic, petroleum	18	39	12.4	16.7
and coal products	(1.0)	(1.4)		
8 Chemicals and chemical				
products (except petroleum	58	120	13.7	13.8
and coal)	(3.3)	(4.3)		
9 Non-metallic mineral	93	189	45.0	53.2
proucts	(5.3)	(6.7)		
10 Basic metal and alloys	5	8	1.6	1.6
industries	(0.3)	(0.3)		
11 Meial products and parts				
except machinery and	118	175	55.5	55.5
transport equipment	(6.7)	(6.2)		
12 Machinery, machine tools				
and parts except electrical	64	119	24.7	23.4
machinery	(3.6)	(4.2)		
13 Electrical machinery,	36	62	16.6	13.5
apparatus and appliances	(2.0)	(2.2)		
14 Transport equipment and	53	83	18.0	18.4
parts	(3.0)	(2.9)		
15 Other manufacturing	133	169	41.5	41.3
industries	(7.6)	(6.0)		
16 Repair services	106	173	100.0	70.3
•	(6.0)	(6.1)		
17 Net value added including	1,759	2,817	37.3	36.3
imputed bank charges	(100.0)	(100.0)		
18 Less imputed bank charges	14	76	13.5	23.1
19 Net value added	1,745	2,742	37.8	36.9
20 Add consumption of fixed		-,		
capital	72	122	11.9	14.7
21 Gross value added	1.817	2,864	35.0	34.6

Note: Figures in brackets give percentage of the total of net value added including imputed bank charges.

Sources: Data on value added from unregistered manufacturing for 1970-71 are from Central Statistical Organisation, Department of Statistics, Ministry of Planning, Government of India, National Accounts Statistics, New Dethi, January 1981, Statement 41, p 123, and those for 1982-83 from ibid, January 1985, Statement 42. The data on value added from manufacturing are arrived at by adding value added from registered manufacturing to the value added from unregistered manufacturing. The data on registered manufacturing for 1970-71 are from the first named publication, Statement 40, p 119 and those for 1982-83 are from second named publication, Statement 41.

Four of the above nine groups produce a large number of different types of products, and, therefore, the measures of output in physical quantity differ. The Planning Commission, therefore, does not report data of these four groups in physical quantities. Specific products produced by the other five groups are however fairly comparable, and hence measurable in physical units under each group. Part A of Table 6 gives actual output of these five groups in physical quantities for the years 1973-74, 1979-80 and 1984-85 and projected output for 1989-90. It will be seen from Part B of the table that three of the five industries, namely handlooms, sericulture and coir experienced lower rates of growth during 1979-80 to 1984-85 than during 1973-74 to 1989-90; and the other two industries, namely khadi and powerlooms experienced higher rates of growth. The 1984-85 to 1989-90 period has projected a higher rate of growth than the one achieved during 1979-80 to 1984-85 in four of the five groups, excepting powerlooms where it is substantially lower.

Employment—It is estimated that this sector accounts for nearly four-fifths of the total employment in manufacturing. It will be observed from Table 7 that although the share of traditional industries in employment declined between 1973-74 to 1984-85, they continue to remain the more important group. The shares of the traditional, modern and other industries were: 58, 28 and 14 in 1973-74 and 52, 39 and 9 in 1984-85. In 1989-90, the share of the modern industries is projected to improve and the shares of the other two to decline, both slightly, as compared to 1984-85.

Small scale industries and handlooms are by far the two most important employment-providing sectors, with shares of 29 and 24 per cent in 1984-85. Coir is the least important with 2 per cent. The balance of 45 per cent of the total employment in 1984-85 was shared by the other groups, with shares varying from 4.63 per cent in khadi to 10.22 per cent in powerlooms.

Part B of the table gives compound rates of growth per annum by industry group. Three observations may be permitted here:

- (i) The rate of growth of the sector as a whole was higher during 1979-80 to 1984-85 than during 1973-74 to 1979-80 (6.15 and 4.80 per cent per annum). The rate projected for the period 1984-85 to 1989-90 is lower —4.89 per cent per annum.
- (ii) The 1979-80 to 1984-85 period shows higher rates of growth for all the other major groups—traditional, modern and others—than the 1973-74 to 1979-80 period—4.76, 9.39 and 2.18, and 4.18, 7.81 and 0.33 per cent per annum respectively. The rates projected for 1984-85 to 1989-90 period are lower than the rates achieved during 1979-80 to 1984-85 period for the modern and other groups whereas the rate projected for the traditional group is higher.
- (iii) Four of the nine industry groups grew

at lower rates during 1979-80 to 1984-85 than during 1973-74 to 1979-80. They are: village industries, sericulture, coir and small scale industries. The other five industries grew at faster rates. On the other hand, employment in only three industries, namely khadi, handlooms and sericulture is projected to grow at a faster rate during 1984-85 to 1989-90 as compared to 1979-80 to 1984-85 period. The rate of growth of employment is projected to decelerate during 1984-85 to 1989-90 period in the other six industries.

#### SMALT INDUSTRY DEVELOPMENT ORGANISATION STATISTICS

The statistics which follow relate to one of the industry groups of the village and small industries sector the progress of which we reviewed above following the Planning Commission statistics. This group is the group of modern small scale industries. This review is based on the data compiled by the Small Industries Development Organisation (SIDO), government of India. Table 8 gives the number of small scale industrial units for the years 1973 to 1982. 1982 is the latest year for which these statistics are available. And we begin with 1973 not merely because the data are easily available from that year but because they suffer from at least three types of limitations, and the longer the period covered, the more severe are the limitations.

The iirst limitation stems from the fact that the definition of small scale industry has undergone many changes since it was first formulated in the early fifties. However, keeping in view the years covered in Table 8 we draw attention here to the definitions in vogue during that period. In 1973, following a change in 1966, a small scale industry was defined as a unit with investment (in plant and machinery only) not exceeding Rs 7.5 lakh (at the installation/purchase price), and not exceeding Rs 10 lakh in case of an ancillary unit (supplying one-half or more of its total output to one or more of the parent units.) In 1975, these limits were raised to Rs 10 and Rs 15 lakh, and in 1980 to Rs 20 and Rs 25 lakh for these two types of units. The 1980 definition continued in 1982.7

The second important limitation relates to registration. Registration of small scale units with the State Directorate of Industries or with Small Industries Development Organisation is voluntary, but such a registration helps the unit to get different types of incentives and benefits offered by the centrai and state union territory governments and the agencies sponsored by them. Thus, the data relate to registered units. The size of the unregistered sector is anybody's gness. According to one guess it is almost as high as the registered sector. The guess placed the number of unregistered units in 1977-78 at 2.96 lakh as against the number of registered units at 3.74 lakh. Similarly, in that year, the number of persons employed, output produced and capital invested in the unregistered sector were 27 lakh, Rs 7,200 crore and Rs 2,020 crore against the corresponding figures of 32 lakh, Rs 8,500 crore and Rs 2,411 crore in the registered sector. Putting the two sectors together, employment, output and investment in the unregistered sector was each 46 per cent of the respective totals, and in the registered sector each 54 per cent.8

The third limitation arises out of the fact of overstate of the numbers as given in the SIDO list. A unit may be registered more than once, and the number of times may depend on the number of products. Second, closed units may not be cancelled from the records. It is extremely difficult to say how large is the degree of overstatement of the number of units, or of production, employment, investment, etc, represented by such units. Based on such circumstantial evidence as is available, one may guess that factually in the field as distinct from on paper, the numbers may be from one-half to threefourths of the numbers known from the statistics of registration.4

We therefore make only a limited use of these statistics, and present them, for whatever they are worth, in Table 8. It will be seen from the table that the number of small scale units increased from 1.60 lakh in 1973 to 5.93 lakh in 1982 or by 270 per

cent. The rates of increase varied from 9 per cent in 1976 to 35 per cent in 1974 during ....s period.

#### SURVEY STATISTICS

lu their 'Annual Survey of Industries, Summary Results for Factory Sector', the CSO gives in a summary form principal characteristics of the factory sector variously, by, among others, size denoted by capital and employment. Among the principal characteristics covered, include the number of factories, capital—fixed and productive, employment, and output (gross) and value added. Here, we examine the distribution of factories by size, by capital and by employ-

FARLE 5: OUTP II IN THE SMALL INDUSTRY SECTOR 1973-74 to 1989-90 (Ry Crore, 1979-80 Prices)

Years	Output	Compound Rate of Growth
(t)	(2)	(3)
1973-74	20,885}	8.21
1979-80	ړ کو33,538	5.98
1984-85	44.841] 🕽	8.78
1989-90	68,290)	6.76

Source: Same as under Table 4. For clarifications, see comments on this table in the text

TABLE 4: OUTPUT IN THE SMALL INDUSTRY SECTOR, 1973-74 TO 1989-90 (Rs Crore, Current Prices)

Industry		Ou	tpui	
-	1973-74	1979-80	1984-85	1989-90
(1)	(2)	(3)	(4)	(5)
(A) Traditional Industries				
1 Khadi	33	92	170	300
	(0.44)	(0.27)	(0.26)	(0.30)
2 Village industries	122	348	759	1,700
	(0.90)	(1.04)	(1.15)	(1.70)
3 Handlooms	840	1,740	2,880	3,680
	(6.20)	(5.19)	(4.38)	(3.68)
4 Sericulture	63	131	317	510
	(0.46)	(0.39)	(0.48)	(0.51)
5 Handicrafts	1,065	2,050	`3,500	5,400
	(7.83)	(6.11)	(5.32)	(5.39)
6 Coir	60	86	101	170
	(0.44)	(0.26)	(0.15)	(0.17)
Sub-total	2,183	4,447	7,726	11,760
	(16.40)	(13.26)	(11.75)	(11.75)
B) Modern Industries				
7 Small scale industries	7,200	21,635	50,520	80,220
	(52.94)	(64.51)	(76.86)	(80.14)
8 Powerlooms	1,980	3,250	6,423	7,020
	(14.56)	(9.69)	(9.77)	(7.01)
Sub-total	9,180	24,885	56,943	87,240
	(67.50)	(74.20)	(\$6.63)	(87.15)
(C) Others	2,237	4,206	1,061	1,100
•	(16.44)	(12.54)	(1.61)	(1.10)
Total	13,600	33,538	65,730	100,100
	(100.00)	(00.001)	(100.00)	(100.00)

Notes: 1 Others relate to units not covered by the specified groups.

2 Figures in the brackets give percentage of the total.

Source: Government of India, "Planning Commission, Seventh Five Year-Plan, 1985-90, Vol 11, New Delhl, Chapter 4, Tables 4.1 and 4.2, page 99 and page 103.

ment to throw light on the growth of the small industry sector. Some of the relevant data for the selected years of 1966-67, 1974-75 and 1982-83 are presented in Table 9.

Principally, two difficulties prevent us from presenting a comparable picture of the capital criterion over time. Even when the period covered by Table 9 is not long, these difficulties are present. The first difficulty is that the definition of small industry has changed over time. We have referred, under the previous caption, to the definitions in vogue during 1966 to 1982. On that basis for 1966-67, 1973-74 andd 1982-83 we have two definitions of small industry—one for the first two years (not exceeding Rs 7.5 lakh and if an ancillary not exceeding Rs 10 lakh), and the other for the third year (not exceeding Rs 20 lakh and if an ancillary not exceeding Rs 25 lakh). The values in brackets relate to plant and machinery only at installation/ purchase price. The second difficulty arises out of the fact that the data by capital groups are not available in sufficient detail to make them comparable through this period.

At attempt has been made here to overcome these difficulties by presenting data in three ways in Table 9. Part A of the table divides factories into small and large on the criterion of capital (gross undepreciated value of plant and machinery) but at the dividing line of Rs 7.5 lakh for 1966-67 and 1974,75 and of Rs 20 lakh for 1982-83. Ancillary units are not included therein. Small and large industry in Part B of the table are also on the same criterion of capital, but here the dividing line is Rs 25 lakh. This enables us to see the position of small industry for the year 1974-75, on the definition as it was in 1982-83. Part C of the table is based on the criterion of the number of employees, with the lines at less than 50 (small), 50-999 (medium) and 1000 and above (large). Parts B and C are restricted to 1973-74 and 1982-83, as the relevant data by the required groups are not available for 1966-67.

Part A of the table Indicates that between 1966-67 and 1974-75, small industry lost its share on all the five criteria-factories, fixed capital, employees, output and value added. The decline was from 92 to 78 per cent in case of first criterion, from 8 to 6 on the second, from 36 to 31 on the third, from 30 to 22 on the fourth and from 22 to 15 on the fifth. However, between 1974-75 and 1982-83, the shares remained unchanged (on the criteria of capital (fixed and productive) and output (gross) and value added) or increased marginally (on the criteria of factories and employment). The significance of this fact is that all that the increase in investment ceiling in the definition of small industry between 1966-67 and 1974-75 has done is to retain more or less in tact, the share of small factories on these indicators in the totals!

Part B statistics show that small industry declined on all the six indicators between 1974-75 to 1982-83, the extent of decline ranging from 1 to 6 percentage points. However, on the employment criterion (Part C of the table), the small industry shares on all indicators have remained more or less the same between these years.

How do we sum up the general position from these varied statistics? First, whereas both the large and the small industries grew at faster rates than other activities, the large industry grew at a faster rate than the small

of relative to the former over the last nearly three and a half decades (Table 2). Second, of the modern and traditional small industries, the former group seems to have grown at a faster rate than the latter, resulting in the decline of its share relative to the former over the last decade (Table 4). Third, of the large and small factories, the former its group seems to have grown at a faster rate than the latter, resulting in the decline of its share relative to the former between 1966-67 and 1974-75, though between 1974-75 and

#### III Rationale for Promotion

1982-83 this tendency, where active, has

operated rather weakly (Table 9).

How does one explain the survival of small industry? What is the rationale of promoting it? Which are the main development programmes for this sector? How have these programmes worked? This part takes up the first three questions, and the next part the last question.

#### SURVIVAL

A number of developments in such varied fields as production and distribution, transport, storage and communication. forms of business organisation, mobilisation and deployment of savings and the possibilities of inter-locking interest in plants and firms in various ways have, severally and jointly, increased immensely the efficiency of large-scale production and large scale organisation, most notably in manufacturing and public utilities, over the last many years, relegating small-scale production to the backyard. In such circumstances, how does one explain the survival of small industry in industrially developed countries where large industry has proved to be so overwhelmingly triumphant?

Such a survival is sought to be explained variously. While the relative importance of small industry vis-a-vis large industry in these countries is less, the number of units, employment and production of small industry are each considerable and even increasing in absolute terms in response to increase in the volume of demand all of which the large industry may not be able to meet.

A number of other economic factors also help explain the strength of small industry. (a) Large industry is very often capitalintensive, and accumulation of capital takes time. During the intervening period, small industry which is very often labour-intensive would, therefore be able to stay on. (b) Large industry has often access to cheap capital and small industry to cheap labour and these respective advantages and handicaps may keep the cost-scale in balance, so that the small industry may not suffer from any special handicap. (c) For minimisation of risk, a new line is opened on a small-scale. (d) Where the material to be worked upon is not uniform, where the processes are not

TABLE 6A: OUTPUT IN THE SMALL INDUSTRY SECTOR 1973-74 TO 1989-90

Industry f	Units	Output			
(1)	(2)	(3)	1979-80 (4)	1984-85 (5)	1989-90 (6)
A) Traditional Industries					
1 Khadi	M. sq metres	56	82	128	180
2 Handloom	Mili Metres	2,100	2,900	3,600	4,600
3 Sericulture	Lakh kgs of raw silk	29	48	68	109
4 Coir	Lakh tonnes of fibre	1.50	1 85	1.49	2.23
B) Modern Industries					
5 Powerlooms	Mill metres	2,400	3,450	4.930	5,400

Source: Same us under Table 5.

Table 6B: Compound Rate of Growth of the Small Industry Sector 1973-74 to 1989-90 (Per Cent Per Annum)

Industry	Growth Rate Between					
(1)	, 1973-74 to 1979-80 (2)	1979-80 to 1984-85 (3)	1984-85 to 1989-90 (4)			
(A) Traditional Industries						
1 Khadi	6.56	9.28	7.08			
2 Handiooms	5.52	4.41	5.02			
3 Sericulture	8.76	7.06	10.04			
4 Coir	3.55	-4.23	8.39			
(B) Modern Industries						
5 Powerlooms	6.23	7.40	1.83			

amenable to quick repetitions and where the products are not standardised, large-scale methods are not suitable or economical, and here small industry thrives on its own strength. (e) Market imperfections, due either to consumer resistance of to transport cost, also limit the size of the market and the scope of large-scale production. (f) Small in 'ustry may undercharge the consumer on the assumption that it is really a low-cost industry, by not providing for, unwittingly or

otherwise, adequate depreciation or remuneration for the factors of production owned or hired from friends and relatives. And the prices so set at these costs may be competitive with that of large industry. (g) Not to attract the provisions of the anti-trust legislation or to win public sympathy, large industry fixes a price higher than normally warranted, and this price umbrella protects small industry.

Among the sociological explanations for

(Per Cent Per Annum)

TABLE 7A: EMPLOYMENT IN THE SMALL INDUSTRY SECTOR, 1973-74 TO 1989-90 (Lakh Persons)

Industry	Employment					
	1973-74	1979-80	1984-85	1989-90		
(1)	(2)	(3)	(4)	(5)		
(A) Traditional Industries						
l Khadi	8.84	11.20	14.58	20.00		
	(5.01)	(4.79)	(4.63)	(5.00)		
2 Village industries	9.27	16 13	22.41	30.00		
•	(5.26)	(6.90)	(7.11)	(7.50)		
3 Handlooms	52.10	61.50	74.66	98.13		
	(29.54)	(26.31)	(23.70)	(24.53)		
4 Sericulture	12 00	16.00	20.00	24.25		
	(6.80)	(6.85)	(6.35)	(6.06)		
5 Handicrafts	15 00	20.30	27.40	35.80		
	(8.51)	(8.69)	(8.70)	(8.95)		
6 Coir	5.00	5 59	5.59	9.23		
	(2.84)	(2.39)	(1.77)	(2.31)		
Sub-total	102.21	130.72	164.95	217,41		
	(57.96)	(55.93)	(52.37)	(54.35)		
(B) Modern Industries				•		
7 Small scale industri	ies 39,65	67.00	90.00	119.00		
	(22.48)	(28.67)	(28.57)	(29.75)		
8 Powerlooms	10.00	11.00	32.19	35.32		
	(5 67)	(4.71)	(i0.22)	(8.83)		
Sub-total	49.65	78.00	122.19	154.32		
	(28.15)	(33.37)	(38.79)	(38.58)		
(C) Others	24.50	25.00	27.86	28.27		
	(13.89)	(10.70)	(8.84)	(7.07)		
Total	176.36	233.72	315.00	400.00		
	(100.00)	(100.00)	(100.00)	(100.00)		

Notes: 1 Others relate to units not covered by the specified groups.

2 Figures in brackets give percentages of the total.

Source: Same us under Table 4.

TABLE 7B: COMPOUND RATE OF GROWTH OF EMPLOYMENT IN THE SMALL INDUSTRY SECTOR, 1973-74 TO 1989-90

Industry	Growth Rate Between				
·	1973-74 to 1979-80	1979-80 to 1984-85	1984-85 to 1989-90		
(1)	(2)	(3)	(4)		
(A) Traditional Industries					
l Khadi	4.02	5.41	6.52		
2 Village industries	9.67	6.79	6.00		
3 Handlooms	2.80	3.95	5.61		
4 Sericulture	4.91	4.56	3.92		
5 Handicrafts	5.17	6.18,	5.49		
6 Coir	1.87	1.08	9.36		
Sub-total	4.18	4.76	5.67		
(B) Modern Industries					
7 Small scale industries	9.13	6.08	5.74		
8 Powerlooms	1.60	23.95	1.87		
Sub-total	7.81	9.39	4.77		
(C) Others	0.33	2.18	0.29		
Total	4.80	6.15	4.89		

Source: Worked out from data of Part A.

survival, three are important. (a) There exists in man a desire to gamble, so that he takes risks irrespective of consequences, and small industry provides an outlet for this desire. (b) Man often enjoys the independence or status of an entrepreneur for its own sake, and this is possible for more men in small industry than in large industry. (c) Man starts his own business to provide employment to members of his family who may be unemployable or less gainfully employable elsewhere.

#### CONCERN FOR SURVIVAL

The concern for the survival of small industry in industrially developed countries goes beyond mere passive means. Almost all of these countries have special programmes of assistance by the state for the small sector. Such state intervention in the midst of laissez-faire ideology is justified principally on three grounds.

Reference has been made to the forces which have favoured large-scale production. These forces have also promoted concentration of capital and centralisation of control to in a few hands. Such a development is held be undesirable on economic as well as political grounds. It fosters monopolistic and oligopolistic markets, leads to adoption of monopolistic and restrictive trade practices, and results in 'bad' market performance. It acts as a barrier to the entry of small firms which are held to promote competitive market structures and 'good' market performance. In a word, large industry is inimical to and small industry is promotive of competition which is said to have led to the spectacular economic progress of the now developed countries.

While the forces that favoured large-scale production tended to promote concentration of production in a few hands, they also tended to promote concentration of production in a few areas in the country. A regionally unbalanced economy of this type, with a few islands of plenty in a sea of poverty, is regarded to be socially undesirable and strategically vulnerable. A fairly even balancing of industrial activities and economic opportunities with respect of geographical regions has been advocated as an important step towards the shaping of a better society. In this context, it is suggested that small industry can play a major role in the building of a decentralised society.

Finally, on political grounds also, much can be said in favour of a society composed of a large number of economically independent individuals, and small industry offers a vast scope for such independence.

#### CASE FOR SMALL INDUSTRY IN INDIA

The case for small industry in poor countries like India is advocated on additional grounds as well, which, are in part idealistic, in part relief-oriented, and in part economic.

The idealistic school pleads for the revival and promotion of cottage and small indust-

ries as a part of its general programme of reorganising the entire socio-economic structure on a 'decentralised basis', more or less on the old 'village community' ideals. Such a return to the past with its minimum needs and low levels of living may well be held to be impossible when material expectations of people are rising, and demonstration effects from abroad are making their own dents on the levels of living and methods of production.

The second set of arguments emphasise the character of a welfare state and the employment potentiality of small industry. The number of persons unemployed, disguisedly as well as open, is truly large. A welfare state is expected to provide relief to the unemployed. In view of the paucity of resources, however, this is ruled out. Creation of employment opportunities on a large-scale is, therefore, a way out. Here, in view of the facts of capital scarcity and capital-intensive nature of large industry, the organised sector can play only a limited role. The hope is then pinned on small industry because of its labour intensive character, especially where it is technologically feasible and economically tolerable. In fact, it is on such considerations that prevention of unemployment/promotion of employment has been one of the objectives in Indian plans all along.

The principal difficulties with the above arguments, considered from the economic

Table 8: Number of Small Scale Industrial Units Registered with Small. Industries Development Organisation, 1973 to 1982

Year	Number (in Lakh)	Percentage Increase Over the Previous		
(1)	(2)	Year (3)		
1973	1.60	· –		
1974	2.16	35.0		
1975	2.39	10.6		
1976	2.60	8.8		
1977	2.87	10.4		
1978	3.21	11.8		
1979	3.66	14.0		
1980	4.53	23.8		
1981	5.27	16.3		
1982	5.93*	12.5		

Notes: \* Provisional.

- 1 The registration figures may include some closed units and also units with more than one registration number, depending on the number of products manufacture.
- 2 From 1976, addition to the cumulative figures has been for permanent registrations.

Source:

e: S B P Board of Consultants and Engineers: Hand Book of Reserved Small, Costage and Tiny Industries, New Delhi, 1984, Table I p 4. Orlginally from Government of India, Small Industries Development Organization's Annual Reports.

standpoint, are two-fold. Firstly, if the creation of maximum possible employment is almed at, in view of abundant labour and scarce capital, the latter may have to spread out so widely over the former that the methods of production resultant therefrom may yield a marginal product which may be less than the subsistence wage. Secondly, maximisation of employment irrespective of income considerations is hardly an practical objective to be aimed for in poor economies. On a perusal of development programmes and policies, one notices that it is income creation which is aimed at, creation of employment being only the incidental objective or result.

It is argued that in a capital poor and labour abundant situation, economy should be exercised in regard to the use of capital. If the objective, as seen above, is maximisation of income, the technique which yields maximum income per unit of capital is to be preferred—in other words, the one which has the lowest capital-income ratio. Employment bias in such an economy has a place only to the extent that it results in the saving of capital in relation to income.

It is pointed out that a number of small industries have a low capital-output ratio as compared to competing modern large industries, though the latter have a low cost per unit of output. In the market place, the former are handicapped; and left to the market, they would disappear. It may therefore be wiser not to allow the existing investment and skills to go waste when they are scarce especially where capital-output ratios are favourable. In this connection, it is pointed out that while the criterion of low capital-income ratio makes sense in the short run, it may not lead to maximisation of income in the long run. When the objective is maximisation of income in the long run, what should be aimed at in the short run is maximisation of surplus so that the latter is available maximally for investment to yield larger income in the long run. Here, small industry stands in an unfavourable position with respect to incomes created in the short run, investible surplus available therefrom will constitute a smaller proportion than in large industry.

Among the two methodologies introduced here one relates to the objective of maximising the present value of future incomes or consumption. With a zero discount rate, this objective approximates the objectives of maximising income in the long run (and hence of maximising reinvestible surplus in the short run), while with high discount rate. it leads to maximisation of income in the short run. The second methodology is social cost benefit analysis where we consider benefits and costs in the wider context. Here, the analysis will have to be based on a calculation of indirect benefits and costs, using thadow or accounting prices (not market prices) of foreign exchange, domestic capital, labour, etc.

Of a few other reasons for support, the

principal one is to diversify the entrepreneurial base, with the policy of fostering entrepreneurs from amongst the members of castes, classes and professions which have hitherto not contributed or contributed poorly to the entrepreneurial class in India. These include, apart from others, scheduled, castes/tribes, backward/poor classes, technicians and other professionals.

## PROGRAMMES TO PROMOTE SMALL INDUSTRY

It is on such consideration that government of India, state/union territory governments and the agencies/institutions sponsored by them have been pursuing various programmes to help improve the viability and accelerate the growth of the small industry sector. As noted in Part I, these programmes relate to information, consultancy, entrepreneurship, development, training, modernisation and technology support, industrial estates, raw material, marketing, ancillary development, etc.

It would seem that, of late, these programmes have become more vigorous. In 1985, the investment limit for qualifying as small industry was raised to Rs 35 lakh and as ancillary industry to Rs 45 lakh. During 1986-87, eight new items have been reserved for the small scale sctor, 21 items have been deleted and the nomenclatures have been changed in respect of 24 items. As of now, 863 items are reserved for the small scale sector. The Small Industries Development Fund (SIDF) has been set up in the Industrial Development Bank of India in May 1986 to provide refinance for development, expansion, diversification, modernisation, and rehabilitation of small scale, cottage and village industries and tiny sector units in the rural areas. New schemes of assistance have been launched under SIDF for women entrepreneurs and for promoting quality control. The Small Industrial Development Corporations (SIDCs) have been rendered assistance by the Industrial Development Bank of India for the first time in order to strengthen their activities in marketing, supply of essential raw materials, machinery on hire-purchase basis, establishing industrial estates, etc. Concessional rates of excise duties and simplified procedures for this sector, etc, are among the other programmes to help this sector. 10

The objective of these programmes is to help improve the viability/efficiency of the small industrial units, and growth and the general health of the small industry sector. The justification of these programmes stems from one or more of the socio-economic objectives of the community in the promotion of which small industry has a special role to play. The period over which some of these programmes have been implemented has also been long. It is, therefore, possible to make a fair assessment of these programmes. The position of the government on this subject, as presented in the Statement of Industrial Policy, July 1980, "...that all incen-

tives given to industry must be performance oriented,"11 is very encouraging.

#### IV Main Findings: a Resume

We now turn to the evidence; first, on policy premises; second, on incentivesindustrial estates, finance and reservation; and, third, on location and linkages. The evidence is by no means straightforward, it is also varied and complex, and therefore not easy to interpret. And as usual, it suffers from many, some of them severe, limitations. A purist may be alarmed at this list, but a pragmatist may as well take a view that some empirical evidence, if it is not particularly

bad, is better than none at all. Of the empirical evidence examined by us, a considerable quantity is of a good or an average quality. It is therefore worthwhile to go by it and see what it suggests.

One way of proceeding is to deal with this evidence piece by piece, highlighting the principal findings and their limitations. A second alternative is to present the findings in considerable detail as done by R B Sutcliffe and the ICSSR surveys. 12 There is no space for either of these attempts in this paper. So a terser summary of this evidence, a third alternative, may suffice. Such a summary, it is clear, cannot do justice to the complex and conflicting evidence, much less

to the individual writers. But it is hoped that

it would be more illuminating for the general purpose and would not be misleading.

#### **POLICY PREMISES**

For understanding the technical, financial and economic characteristics for the policy we present below the principal notions on the characteristics of small and large industry in a relative terminology. These are:

- (a) Small units have a higher average cost of production per unit of output than
- (b) Small units require less capital per worker than large units.
- (c) Small units generate lower output per worker than large units.
- (d) Small units have a lower wage per worker than large units.
- (e) Small units have a lower surplus per worker than large units.
- Small units generate higher output per unit of capital than large units.
- (g) Small units generate lower surplus per unit of capital than large units.

These propositions can be put, breifly and alternatively, as follows: Small units have a higher unit cost; less capital intensity, lower output, lower wage and lower surplus per worker; and higher output-capital (i c, lower capital-output) and lower surplus-capital ratios than large units.

Firstly, the evidence would generally support the proposition that for a given product (durability and quality included), small units have higher cost of production than large units (Proposition a). Secondly, while most of the evidence supports the hypothesis that small units are labour-intensive and large units capital-intensive, some of it does not, and actually suggests the opposite. In the evidence, capital is related to the number of workers, so that capital-intensive and labourintensive units are to be understood in the sense of employing more or less capital per worker (Proposition b). Thirdly, as regards the relations between output, wage and surplus per worker, the evidence, generally speaking, indicates that small units have lower values than large units (Propositions c, d and e). Fourthly, as to output and surplus in the context of capital, the evidence is not, generally, as clear as In relation to labour. Some of it indicates lower output and lower surplus per unit of capital in small units and some indicates a similar position in large units (Proposition f and g).

To highlight the main point: The case for preferential treatment to small industry by the state vis-a-vis large industry in a labour abundant, capital scarce country is generally made out on considerations that the former has capital-saving and employment-promoting characteristics in relation to income and capital respectively. The empirical evidence casts doubt on these propositions, so that the foundations of the protectionist policy stand weakened. True, the evidence suffers from several limitations, but it is

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TABLE 9: PRINCIPAL CHARACTERISTICS OF SMALL AND LARGE FACTORIES, 1966-67, 1974-75 AND

Characteristics (1)		Part A		Part B		Part C	
	1966-67	1974-75	1982-83	1974-75 (5)	1982-83	1974-75	1982-83
	<del></del>						
1 Number of factor							
Small	92	78	81	84	83	76	77
Large	8	11	8	5	7	2	1
Other		11	11	11	10	23	22
Total	(49,346)	(64,217)	(93,166)	(64,217)	(93,166)	(64,217)	(93,166)
2 Fixed capital							
Small	8	6	6	9	7	5	4
Large	92	93	94	90	93	68	72
Other		1	_	1	_	27	24
Total (Rs crore)	(5,855)	(11,922)	(41,006)	(11,922)	(41,006)	(11,922)	(41,006)
3 Productive capita						, , ,	, , ,
Small	NA	8	8	13	9	6	5
Large	NA	91	92	86	91	64	71
Other	NA	1		1		30	24
Total (Rs crore)	NA	(17,932)	(57,326)	(17,932)	(57,326)	(17,932)	(57,326)
4 Number of emplo		(2.).	(0.,0.00)	(,,	(* .,,	(,,	(
Small	36	31	33	39	. 35	14	15
Large	64	66	62	58	60	45	43
Other	-	'3	5	3	5	41	42
Total (in lakh)	(48)	(61)	(80)	(61)	(80)	(61)	(80)
5 Output	(40)	(4.)	(40)	(01)	(00)	(0.)	(44)
Small	30	22	22	30	24	14	13
Large	70	77	77	68	75	40	44
Other		1	i	2	1	46	43
Total (Rs crore)	(8,715)	(26,099)	(86,238)	(26,099)	(86,238)	(26,099)	(86,238)
6 Value added	(0,713)	(20,099)	(00,230)	(20,077)	(60,430)	(20,099)	(00,230)
Small	22	15	15	22	17	8	8
Large	78	84	84	77	82	51	54
Other		1	1	1	1	41	38
	(2,045)	(6,081)	-	-	-	(6,081)	
Total (Rs crore)	(4,043)	(0,001)	(16,674)	(6,081)	(16,674)	(0,001)	(16,674)

- means Nil/Negligible; N A = Not Available.

Figures in brackets are absolute numbers in units mentioned against them.

Part A: 'Small' relates to the factories having gross undepreciated value of plant and machinery not exceeding Rs 7.5 lakh in 1966-67 and 1974-75 and not exceeding Rs 20 lakh in 1982-83, and large relates to factories having higher values in the respective years. Part B: Small relates to the factories having gross undepreciated value of plant and machinery not exceeding Rs 25 lakh in 1974-75 and 1982-83, and large relates to factories having higher values in the respective years.

Part C: Small relates to the factories employing less than 50 workers, and large to factories employing more than 1,000 workers, in both the years.

'Other' in Parts A and B relates to the factories which dld not furnish any figure of investment. In Part C It relates to the factories employing between 50 to 999 workers. Source: Central Statistical Organisation, Government of India, Annual Survey of Industries, Summary Results for Factory Sector; for 1966, Table 5, p 10, for 1974-75, Statement 9, p 18 and Statement 3 p 91, and for 1982-83, Table 2.9, p 11 and Table 2.6, p 10.

unlikely that these limitations would wash away completely the doubts raised.

#### INDUSTRIAL ESTATES

An industrial estate is defined as a planned clustering of industrial enterprises offering standard factory buildings erected in advance of demand and variety of services and facilities to the occupants. For an individual entrepreneur, the availability of a factory in the estate would result in the saving of a great deal of effort, time and expense in erecting a factory. Moreover, if he gets such a factory on lease or hire-purchase, he need not block his funds to that extent on a longterm basis. The ready availability of infrastructure and location amidst other units in the estate can also help the unit through different types of linkages. Appreciating the significance of these advantages the government started this programme in the early fifties.

In view of such substantial advantages, it is expected that industrial units located in industrial estates should show better performance than the industrial units which are otherwise comparable but located outside the estates in the same city or nearby.

It would seem that only a limited number of investigations lend support to the above hypothesis. A larger number, on the other hand, suggests better performance for units located outside than for the estate-located units. Thus, for example, of the studies examined by us, it was only in R L Sanghvi's study of Gujarat that the performance of estate-based units was found to be superior to the performance of outside units. In other studies, the latter units showed better performance than the former. Among these are the studies of N Samasekhara (Karnataka), M A Oomman (Kerala), K Bandopadhyaya (West Bengal), P N Dhar and H F Lydall (North India). 13

#### LONG-TERM FINANCE

We carried out a field study on the efficacy of long-term finance by the concerned State Financial Corporations to smallscale industrial units located in the cities of Bombay, Hyderabad and Jaipur. The method was to compare the performance of the assisted small-scale industrial units with that of the other, non-assisted but otherwise comparable units at a point of time for the latest year, and over time for the last four/five years. The assessment was based on profitability productivity and capitalintensity ratios, as also on the growth indicators of assets, equity capital and output. The study related to 206 units In 14 industries and covered the period 1972-73 to 1978-79.

Our hypotheses were that assisted units would show better performance than nonassisted units as a point of time, and that the former would show improved performance over time.

Our findings, in general, were that assisted

units had higher labour productivity, higher surplus and higher average wage than nonassisted units in a majority of industries; but non-assisted units and higher profitability, higher capital productivity and higher surplus per unit of capital and lower capital intensity than assisted units in a majority of industries. Thus, in general, while assisted units showed more efficient or more economical use of and better rewards to labour; non-assisted units showed more efficient use or more economical use of and better rewards to capital. Although the statistics for the last four/five years related to fewer industries/units, growth rates in a majority of industries were lower in assisted than in nonassisted units.14

#### RESERVATION

As the impact of competition on the small-scale units in the category of products/industries reserved for exclusive development from the large units is less, small units in the reserved categories may be expected to be more immune from competition from more efficient, large units than small units in the other, general categories. Consequently small industries manufacturing reserved products may be expected to show better performance than other small industries at a point of time. Also, the former may be expected to show improved performance over time, and their performance may be expected to be better than the performance of other Industries.

We had an opportunity to examine these hypothesis in the above study. The general findings thrown up by it was that the performance of reserved industries did not outshine the performance of other industries. 15

#### LOCATION AND LINKAGES

In general, khadi and village industries and handlooms, like agriculture, are scattered fairly evenly throughout the country. Other handlooms, handicrafts, sericulture and coir are clustered in different parts of the country, located on the basis of court patronage, concentration of skilled workers, or the availability of basic raw material for manufacture. These three industries are less scattered than the first three industries and also less concentrated than the modern small industries, including power-looms.

While there are a few exceptions such as in Punjab and Haryana where one finds modern small industry concentrated without much of large industry, it would seem that, in general, it is found in the vicinity of large industry. And as the latter is concentrated in a few industrially developed states, in or around the metropolitan cities and towns, the former is also found amidst them or closeby. It is also observed that as large industry gets decentralised and the relative importance of the other states/areas increases, small industry also gets decentralised and its share in other states/areas also increases. The point may be illustrated with some readily available statistics.

Andhra Prdesh, Gujarat, Maharashtra, Tamil Nadu, Karnataka and West Bengal accounted for 62 per cent of the factory employment in India in 1982. The share of these six states in the total number of registered small-scale industrial units was 47 per cent in that year. 16

Bombay-Thane districts accounted for more than one half of the total number of small industrial units in Maharashtra in 1973. Amritsar and Ludhiana in Punjab and Ambala and Gurgaon in Haryana accounted for nearly one-half of the total in the respective states. The number of small industrial units in the principal districts, including Hyderabad-Secunderabad varied from between one-fifth to two-fifths of the total in a large number of cases. 17

Greater Bombay and Thane districts accounted for 67 per cent and 5 per cent of the total factory employment in 1972. Their shares changed to 51 and 11 per cent in 1982. The number of registered small-scale units in Greater Bombay declined from 29 per cent to 20 per cent of the total in Maharashtra between 1974 and 1982 and increased front 13 per cent to 18 per cent in Thane district.18

It should be noted that the importance of small units in such locations will be considerably more as the small units in such locations are known to be bigger in size than those of other cities. It is also not without significance that the success areas of the industrial estates programme are the metropolitan and the city locations and not the rural or smaller urban locations. Such locations are clearly linkage-based. A number of studies have shown the existence of close and powerful backward and forward linkages of two types: the dependence of small units on large-scale producers and the location of these channels in big cities. To refer to our study by way of and illustration in this context: we found that in case of 75 units or 36 per cent of the total of 206 units largescale producers were the sole or principal agencies as immediate suppliers of raw material. Further, 119 units or 58 per cent got their supplies of raw materials exclusively or principally from the city. In 7 of the 14 industry groups, two-fifths or more and in 3 industry groups, one-half or more of the total units, large-scale producers were the sóle or principal agencies as immediate suppliers; in 10 of the 14 industry groups, twofifths or more and in 7 Industry groups, three-fifths or more of the total units got their supplies of raw materials exclusively or principally from the city.

Similarly, large-scale producers were immediate customers exclusively or principally in 81 units or 39 per cent of the total of 206 units; and the sole or, the principal customers of 103 units were located in the same city. Large-scale producers as immediate customers exclusively or principally figured in two-fifths or more in 7 of the 14 industry groups and one-half or more in 5 industry groups; the sole or the principal customers of two-fifths or more of the units in the 7 industry groups and one-half or more of the units in 5 industry groups were located in the same city. 19

#### V

#### **Explanations and Implications**

Our significant findings from the foregoing relate, in the main, to (a) capital-saving and employment-promoting characteristics found not exclusively in small industry, (b) the poor performance of the incentive schemes and (c) the location of small industry amidst or near large industry. These conclusions are valid to an extent but are subject to many limitations. How do we explain these findings?

#### POLICY PREMISES

The relatively poor performance of small industry on capital-saving and employmentpromoting criteria vis-a-vis large industry, that one finds in the empirical evidence, can be explained in terms of structural and operational factors. There are certain products or processes which are basically capital-intensive as in high technology industries (e g, electronics, computers, etc). And in such cases, the realisation of other economies (pecuniary) to the full may be contingent upon production being on a substantial scale. Small-scale production in such lines even at full utilisation of capacity may, therefore, show relatively poor performance vis-a-vis large industry. Secondly, it may not be possible for the small firm to utilise its capacity as much as a large firm can do for a variety of operational problems related to demand, power, finance, manangement, etc. In some cases, this may result in sickness and eventual closure. 20 Thirdly, small industry is an easy entry sector, and is, therefore, prone to overcrowding, and this tendency is accentuated by the incentive schemes. This is elaborated below.

#### INCENTIVES

The basic objective of assistance programmes for small industry is to help improve the efficiency of small industrial units, and to promote a healthy, viable small industry sector. While this may often happen at the level of units, it may not necessarily or even generally happen at the sectoral level for a variety of reasons.

Firstly, we must remember that the small industry market is a leading species of a genus of what J S Bain calls the 'atomistic market'. In such a market, there are many small suppliers. They supply products which are by and large undifferentiated. They compete with one another, rather fiercely. And part from actual competition—thanks to low barriers to entry. The amount of capital required to start and operate an enterprise is low. It is, thus, an easy entry sector,

Secondly, apart from the pecuniary motive, people are known to enter this sector for other reasons also. Some may prefer the status of an independent worker or an employer even with lower income than that of an employee with a higher income, on the consideration that it is better to rule in hell than to serve in heaven. Thirdly, some others are known to do so even at some personal, pecuniary sacrifice to provide employment to the members of their family who arc otherwise unemployable or could be employed less profitably outside the family business. Fourthly, some others may be there transitionally as if in an ante-room waiting for a job in the organised sector.

The assistance programmes tend to make the entry easier in an area where even otherwise, for the above reasons, there may already be too many cooks in the kitchen. This may happen even if assistance is restricted, at least for some time, to the existing units. For the improved profitability or reduced losses of such units consequent upon the assistance may tend to make this sector more attractive so that it becomes more conducive to entry than before. Moreover, often the criteria employed be the assisting agencies to judge their own effectiveness is the number of units assisted, and the amount of assistance given so that there is a temptation to assist the new rather than the established units and to give the units once selected more assistance than may be absolutely necessary. No wonder that a substantial proportion of small units fare poorly!21

As a corollary, we may note that very often assistance is given without proper and rigorous scrutiny. This assistance tends to be 'wasted' by the recipient units not only in the sense of being employed more than absolutely necessary, but also in the sense of being used as substitute of some other factor. Thus, for example, when capital is so available, it may be used as substitute of labour. Such a substitution runs counter to the objective of promoting employment. It is all the more regrettable, when it is not accompanied by superior performance of the assisted units.

The 'waste' of scarce resources may manifest itself in one or more of the various ways. The units getting better facilities in respect of finance, for example, may suffer from excess capacity. On the criterion of capital employed, their sizes may be large. They may employ more capital-intensive techniques of production. They may have a large proportion of borrowed funds, and in spite of a fair rate of interest, interest costs may be high.<sup>22</sup>

There is yet another way where there is 'waste' of assistance. Assistance may make room for 'ghosts'. The 'ghosts' are not 'formless'. They have some sort of a shed to shelter the junk that is their plant and machinery. On the strength of this workshop, they qualify as 'small industry' and get assistance. Since they are 'ghosts' they are

not manufacturers. They 'sell' this assistance (raw material, price preference, etc) in one way or the other, to their customers-traders and small and large manufacturers. Not being manufacturers themselves, the 'ghosts' do not compete directly with other small manufacturers. But they may have got assistance in preference to genuine small manufacturers. To the extent this assistance flows back to the fold of genuine small manufacturers, it would only be at a higher price, defeating the basic purpose of alleviating the hardhsip of the small industry sector. And to the extent it finds its way to the workshop of large-scale producers, it reinforces the already weak position of the small manufacturers in the market.23

It is extremely difficult to form even a tentative estimate of the number of such units and more difficult to assess their impact. It is common experience of almost all investigators that of the units approached at their recorded addresses, a number of units are found closed, not located at the addresses recorded or not traceable. It may not be a wild guess that a sizeable portion of such units may be the abodes of ghosts.<sup>24</sup>

While what has been said above is generally applicable to all assistance programmes, a special word about the policy on 'reservation' of products/industries for small industry is in order here. The basic idea behind this policy seems to be that once the door is shut for the large-scale producer, generally believed to be more efficient in the 'market' sense, the field is left all open for the smallscale sector and the small entrepreneur would produce the goods/services in that branch, earning fair rewards for himself and also helping in the march towards the fulfilment of the socio-economic objectives avowed for this sector. This may not, however, happen. While it shuts the door for the largescale producer, the reservation policy also throws the door open more widely for the small-scale producer, and the field become more attractive to him for entry. As a result. competition among the small scale producers themselves in this field may become more intense than before. Whether, as a result, the net position in terms of the viability of the small-scale units and the health of the small industry sector as a whole in the 'reserved' industries would be better or worse is anybody's guess, for while reservation diminishes competition from large-scale producers, it also improves the prospects for entry by small-scale producers and thus may lead to increased competition from within the sector.

#### LINKAGES AND LOCATION

Agglomeration is an important explanatory factor in the theories of industrial location. This factor is perhaps more important to the small unit than to the large unit. Through its size, the latter can internalise, at least partly, some of the external economies. The small unit can do no such

thing. For its efficient functioning it is all the more dependent upon agglomeration or proximity of the market. And as the latter is readily found in locations of large industry, small industry is found amidst or close to large industry.

#### **IMPLICATIONS**

Does the evidence and the explanations put together suggest that the small industry game is not worth the candle? It is tempting to conclude accordingly, but there could be the other view that but for the progressive policy premises and but for the supporting measures, the social objectives would have suffered all the more and the performance of the small industry sector could have been worse. To elaborate, there would have been less employment/more unemployment and fewer entrepreneurs in the conomy; and profitability and productivity of the smallscale sector would have been lower, and output and employment of this sector would have been less than has presently been the case.

While there is some point in this kind of speculation, the temptation to exaggerate must be resisted. It may as well be argued that the void otherwise left could have been filled at least partly, by other units—large and small—which would have sprung forth, a possibility prevented by the pre-emption of resources and markets by the assisted units

There is perhaps no end to these speculative arguments conditioned by 'ifs' and 'buts'. We do not subscribe to the view that small industry per se is an unproductive activity even on private profitability considerations. Nor to the view that the incentive scheme be scrapped. In the third part of this paper, we have referred to the areas where small-scale production is not only feasible, but may also be able to hold its own, and to the considerations on which it may fulfill social cost-benefit criteria. It is also readily agreed that a vigorous small industry sector is vital to industrial and economic growth. At the same time, its handicaps are rooted in the very smallness of its operations, and therefore, left to itself the market will not be in a position to permit this sector to play its rightful role in the society. There is, therefore, a case for preferential treatment of this sector by the state.

All the same, the evidence available on this subject leaves litle room for complacency. Our findings reveal that the policymakers and administrators may have overdone their job by promoting the wrong types of small industry. For greater effectiveness of the policy and functioning of the programmes, it is essential that the schemes and measures be suitably modified.

In this connection, it is pertinent to keep the following in view, (a) Resources of the government/governmental agencies are limited. (b) Productivity of resources may be higher elsewhere, say in family-planning, health, primary education, public utilities

and large manufacturing. (c) Growth of demand for the products of small industry may be limited by growth in agriculture and large industry. (d) Investment in this sector may be productive only upon the availability of complimentary resources—technical and marketing skills, suitable entrepreneurs, etc. (e) Small industry sector is saddled with considerable excess capacity and sickness. (f) Not all small industry is growth-oriented. (g) Nor is all small industry efficient in the market sense or in the sense of being capital-saving in relation to income/employment. (h) The impact of the existing assistance programmes may not have been that substantial.

To this formidable list must be added the point of low barriers to entry to an atomistic. small industry. And the least that could be expected of assistance programmes is that they should not make entry too casy. Overcrowding would nullify the impact of assistance, or, what is worse, make assistance counter-productive. To be sure, we do not favour regulation of entry to this sector by a licence/permit by the state. People with the best faith in the licence/permit system and in the administrative capability of our bureaucracy would also, we hope, agree that licensing for the small industry sector is a hopeless, well nigh impossible proposition for reasons too well known to merit any claboration here.

However, the easy entry point is so important for the viability of small units and the health of the small sector that the aid-giving agencies should keep it firmly fixed in their minds. Any assistance per se makes entry easier. Also, of the large number in this sector, only a tiny minority may reach, through growth, the status of a large unit. Of the rest, some will grow a little, and become a bit larger than before; some, perhaps a majority, will remain small and some will die. It is difficult to identify in advance the first two types and more difficult to design and operate a programme of sufficient sensitivity to benefit these units. This is a challenge-10 be met squarely, and an opportunity-to be exploited, for a more productive functioning of these agencies.

It cannot be said that various types of assistance which have been used so far have come anywhere close to the sensitivities referred to above. In fact, the investigations referred to here suggest that they may have been wide off the mark. As illustrated from the statistics on some aspects of assistance reported in our investigations elsewhere,25 some units were in the dark about even the existence of assistance programmes. Some had availed of the assistance even though they would have done perhaps as well without it. Some fought shy of the procedures and did not attempt to get it. Some others who passed through these hurdles rather successfully did not do so.

It goes without saying that wider publicity of the activities of the aid-giving agencies is called for. Also, a more discriminating programme of assistance needs to be designed and operated for better allocational needs. The principal of discriminating assistance involves, among others, the following:

- (a) favouring the growth oriented and viable units and the units satisfying the socio-economic norms, and avoiding others;
- (b) fostering more of the clustered units 10 reinforce backward and forward linkages;
- (c) relying exclusively or principally on assistance related to land/shed and finance, and implementing other assistance programmes related to raw materials, marketing, machinery, technical advice, etc, sparingly, and
- (d) giving timely and adequate assistance.<sup>26</sup>

A policy of indiscriminate assistance while it may appear 'fair' and 'just' on some vague notions of 'fairness' and 'justice', is 'wasteful' in the sense of resulting in the excessive assistance rendered to some. It is also 'wasteful' in the sense that in view of the over-all resource constraint, resources cannot be spared for other units which may atleast be as much deserving or are as important. Finally, the streamlining of procedures and expeditious decision-making would have a greater integact.

#### VI

#### Some Concluding Remarks

Knowledge on this subject is tentative. A more definite word will have to be said later after we have more numerous, more meticulous and more relevant researches. As Alfred Marshall has advised us: Economists must be greedy of facts. To be sure, the researches referred to here fall short of these s'andards. And yet, if we have gone by them it is on this consideration: let 'good' not be the enemy of the 'better'. Action on the lines suggested in these remarks may help raise the status of knowledge on this subject, and serve the cause of development of small industry on a sound basis.

## PRODUCTS IN COMPETITION WITH LARGE INDUSTRY

Consider, first, that segment of small industry which is the largest and also the hardest to deal with, namely the one which confronts competition with large industry. Here, the aspect which has received attention is price-competition. Other important dimensions of competition are: quality and durability of the product, precision and speed in work, trouble-free operations, etc. It is well-known that the products manufactured under different sized units vary in terms of these features as indeed they do ln respect of financial and economic characteristics such as cost, profitability, etc. Studies on this subject must encompass all of these variations, and should be able to pronounce a judgment on the overall performance.

We should spell out the broad ranges of cost and prices, quality and durability, etc, of the products concerned that are acceptable to us. Alternatively, we should spell out the broad ranges of technical and economic characteristics (capital-intensity, capital-output ratio, etc) that are acceptable to us. From amongst the several alternatives thrown up by the studies, we may pick-up those sizes/techniques of production which meet our standards. We have to accept as a follow-up, under the former the resultant sizes/techniques, and under the latter, the resultant products.<sup>27</sup>

Where it is not possible to meet the given demand for products of the output produced from preferred sizes, the balance should be met from output produced by other sizes/techniques. The choice of such other sizes/techniques should be made from amongst the sizes/techniques which are closest to the preferred ones, considering the direction in which the product is visualised to move in future. Thus, for example, if the existing demand for cloth cannot be met by handlooms, and if in future the objective is to produce cheaper and better quality cloth. the balance of demand should be met by powerlooms, rather than khadi or mill cloth. On the other hand, if the future objective is to maximise employment, the balance of demand should be met by khadi, rather than by the cloth produced by powerlooms or mills.28

## PRODUCTS NOT COMPETING WITH LARGE INDUSTRY

The other area of small industry is the one where small industry does not generally ace competition from large industry in the market place. Here, there are two types. One is where the former is by and large independent of large industry, as in handicrafts. Success in this sector depends upon development of special human skills to meet individual demands. The main problem here is one of tapping pecuniary economies of scale under the auspices of co-operatives, government agencies, or trade associations in buying raw materials, selling finished producs, etc, and passing on the benefits to the actual producer-artisans so that their dependence upon middlemen is reduced and their conditions improve. The other area is the one where small industry works or can be channelised to work as complimentary to large industry in terms of dependence for its inputs or outputs on the latter. We must chalk out the products/processes where such complementarity can be established and where the small industry can do the job fairly efficiently. The aim should be to have as much production of small industry sector as possible from these two segments, so that the area of conflict between small and large industry is reduced and the area of harmony increased.

#### INCENTIVES

The package of incentive schemes wili have to be different, depending upon

whether small industry is in competition with, independent of, or ancillary to, large industry. Here, also there is a scope for more numerous and more meticulous researches on the efficacy of various incentives. Also, it may be that In many lines of activity the sizes/techniques under small industry are. not acceptable for one or the other reason (e g, efficiency in the market place); as indeed some of sizes/techniques under large industry are not acceptable for one or the other reason (e.g., capital-scarcity, employment objective, etc). In such cases, research and development efforts should be directed to reduce cost/price and improve quality/ durability of products and develop capitalsaving and employment-promoting techniques.

#### ADMINISTRATIVE ASPECTS,

Basically, small industry may be seen in the perspective of its relation with large industry. We have often wondered whether it would not be better to have a more func. tional administrative set-up for small industry based on this relationship. Under the scheme we suggest, small industry may be divided, according to its present relationship with large industry, Into 'competitive', 'complementary' and 'independent' categories. While the small industry port folio may continue to be under the Ministry of Industry/Industrial Development at the centre and the states, the work should be organised under three units—one for each of these categories, and all under one authority. The unit should have subject heads by products/industries, such as cotton cloth, footwear, etc, or by a cluster of products/industries as in the engineering group. The subjects should be suitably linked through the units with the related subiects/products handled by the department dealing with large industry. Thus, for example, khadi, handloom and powerloom will all be under one subject in the unit of 'competitive small industry', and the problems of small scale production in this line should be dealt jointly with the department dealing with the cotton mill industry. Similarly, the ancillary products used in the manufacture of automobiles will be under the subject automobile spare parts or engineering products in the unit of 'complementary small industry', and the problems of small-scale production in this line will be dealt with by this unit jointly with the department dealing with the automobile or engineering Industry. It follows from this logic that the present organisational set up of Khadi and Village Industries Commission and the pro-. duct boards (handloom, silk, coir, etc) will also have to be replaced by a set-up of three boards—one for competitive small industry. the second for complementary small industry and the third for independent small industry. These boards will report to the respective units in the government. Under the present set-up it is difficult to co-ordinate the development programmes even in the

context of production by various sub-sectors of small inclustry, not to talk of large industry. Thus, for example, cotton cloth falls under the responsibility of Khadi and Village Industries Commission, Handloom Board, Powerloom Board, and the Mill Division. The proposed set-up overcomes this type of confliciting organisations. It would enable us to view the problems of small industry in the perspective of its relation with large industry in the market place, and help evolve more appropriate policy and measures, and implement them in the right spirit.

#### APPROPRIATE SIZE

Sayings and slogans must be suspect, as they fall short of full truths. While what they say is silveren, what they do not say may be golden. They have two parts: one general and the other particular. The former is based on norms or expectations, and the latter implies that the thing under reference falls in that framework. One or the other or both of these parts may be valid under certain conditions but not'under certain others. The specific point may be made with reference. to two sayings or slogans in vogue on this subject. They are: small Is beautiful; and bigger, the better. The former implies a norm or norms which range all the way from a little more here (capital) and a little less there (labour) to the basic values of life. It also implies that smaller-sized units of production meet these norms. But few societies go by that basic norm, and even when they do smail scale production does not necessarily fit therein while large scale production often may. Moreover, one has to weigh the benefits and costs with reference to time. The norms in the other slogan, "bigger, the better", range all the way from efficiency in production and success in the market place in the short run to affluence for all in the long run with the help of surpluses generated and invested. It also implises that the big-sized units of production fit better within that framework than small-sized units; in fact, the bigger the size of the unit, the better it is suited to serve the purpose. Here, while growth is generally a high priority objective . in almost all the communities, the questions as to details relate to the rate of growth, importance of other-objectives, availability of entrepreneurs, skills, capital, etc. Moreover, it is by no means alwaysclear that efficiency increases with size without limit. Empirical evidence suggests that once production reaches a certain size, efficiency gains get exhausted and beyond that size, cost either remains the same or even increases. In a word, it is irrational to be dogmatic on the question of size.

Unfortunately, and partly because of the slogans on this subject, empirical research on the question of size in India has been conducted in terms of 'small' and 'large' sizes. The statistical conclusions yielded by these researches have tended to portray one or the other size as black or white. And yet

we all know that there is a larger intermediate area of medium-sizes which may be grey and may combine therein the approplate and acceptable levels of efficiency and factor-combinations. In many a branch the minimum efficient size may be smaller than the very large sizes, but larger than the small sizes referred to in the discussions on this subject.

The basic point is that size, like a machine or technology, must fit its, functions. A watch on a tower is pointless, and a clock on a wrist its a net liability. As has been explained:

Machines for recording time may range all the way from small wrist-watch to the large public clock, and each may be the best size for its purpose. Also, ... communities are not forced to choose between efficient but socially undesirable large units and smaller units of a lower efficiency. It may be possible to have the best of both the worlds.<sup>29</sup>

#### **EMPLOYMENT**

Finally, a couple of comments on the role of small industry in the promotion of employment. The first comment relates to employment generally, and the second to urban employment specifically.

One of the objectives of Indian economic planning has been prevention of unemployment and promotion of employment. In view of its well known labour-intensity, small industry seems to have been found handy to serve that objective. What is expected of it in the near future in the service of that objective? To put it specifically: Would the rate of increase in the number of persons employed in this sector be more or less in the near future than in the recent past?

A one word answer to that question is: Less.

The approach paper to the Seventh Plan (1985-90) had emphasised the need for raising productivity. Towards that end, the paper had advocated, generally and in the specific contexts of some of the industries of this paper sector (khadi, handlooms, powerlooms), upgradation of technology and modernisation of existing units and starting of new units on modern lines.<sup>30</sup>

Following that approach, the rate of growth of production for the small industry sector (as referred to by the Planning Commission) is projected to be higher than the rate of growth of employment during the Seventh Plan (1985-90). The compound rate of growth of the former is 8.8 per cent per annum (Table 5), and of the latter 4.9 (Table 7 B, column 4). The latter is also lower than the corresponding rate of 6.2 per cent achieved during the Sixth Plan (1980-85) (Table 8 B, column 3). Further, should actual output fall short of the targeted output in the Seventh Plan, as indeed has been the case in the past, employment growth also will be less than targeted.

Most of the discussion on the small industry question in the context of the employment objective is focused on the choice of

methods of production and sizes of units in industry on the assumption of given pattern of demand. It should be understood that from the standpoint of employment, the latter is perhaps more important than the former. Thus, for example, if consumers are generally reconciled with coarse cloth, ghani oil, chappals, etc. instead of by having fine cloth, mill oil and shoes, etc, greater employment can be created as the former can be produced on more labour-intensive and smaller sized units than the latter. Similarly, close observations of the processes involved in a number of manufacturing activities as they are carried out in poor countries may suggest the scope for yet more labourintensive operations in many of them than at present. Perhaps, from the standpoint of employment, the question of pattern of demand is more significant than the question of choice of methods of production and of sizes of operating units. Paradoxically, however, more thought has been given to the latter, and this has also probably tended to belittle the significance of the former.

As to urban employment, it should be clear from the above that it is only on the basis of such slow-growing employment that one has to consider the question of spatial distribution of employment in small industry. In view of weak linkages, rural areas and small towns may not be able to sustain small industry, especially of the modern variety, in a substantial measure. Nor can metropolitan towns and large industrial areas be relied upon to subserve in future, in as large a measure as before, the cause of small industry promotion, In spite of the prevalence of powerful backward and forward linkages with large industry and other activitles located in such towns and areas. Here, infrastructure is already overstrained, and there already exist bans or severe restrictions on location of new large industry or on substantial expansion of existing large industry in many areas and in some cases even in adjoining areas. It is true that small industry is not severely constrained for location in such areas. But with the prospects of poor growth of large industry and already strained infrastructure, substantial further growth of small industry in such areas, either through new units or expansion of existing units can result only in accentuating the already high overcrowding and in increasing the cost of production. In the medium-run, this may result in reducing the overall health and viability of the small industry sector. Profitability may decline, and excess capacity, sickness and closures may increase.

On these considerations, it would seem that the medium-sized towns offer reasonably good prospects for substantial and sustained growth of small industry. They can be a half-way house between the rural areas and small towns which provide only weak linkages and metropolitan towns which are faced with poor prospects of growth of large industry. But it must be remembered that the geisting bases of infrastructure and large in-

dustry which are vital for growth of small industry may not exist in such towns. They may, therefore, have to be provided for and fostered first to subserve not merely the objectives of regional balance but also the objective of small industry promotion. Such towns will have to be away from the existing metropolitan towns and industrial areas, so as to enable them to develop as independent growth centres. It is only then that the attraction of the old centres can be reduced, and a more widely based dispersal of industrial activity can emerge. On this logic, the position taken in a recent report and some follow-up action on what basis seem to be eminently sensible.31 Indeed, it would seem that modern small industry may have a more secure existence and better prospects of growth in or around medium-sized towns than in or around rural areas or metropolitan towns in the medium run. Modern small industry located in medium-sized towns can play a more significant role in promoting employment than before as also relative to small industry located elsewhere.

#### Notes

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- Government of India, Industrial Policy Resolution, 1956, New Delhi, April 30, 1956, paras 13 and 14.
- 2 Government of India, Statement on Industrial Policy, New Delhi, December 23, 1977, para 6.
- 3 Government of India, Statement on Industrial Policy, New Delhi, July 23, 1980, para 17 and para 11.
- 4 In fact, provincial governments under British India provided finance to cottage and village industries under the State Aid to Industry Act/Rules, 1935. Some princety states in India also provided finance to these industries. However, the amount disbursed was meagre:
- 5 Statistics for the Second, the Third and the Fourth Plans are based on the relevant data available from Tata Services Ltd, Statistical

- Cuttine of India, Bombay, 1978, Tables 169, 170 and 173, and those for the next plan (1978-83) from Government of India, Planning Commission, Draft Five Year Plan, vol 111 (mimeographed), New Delhi, p 125, para 3.22, and vol 1 (mimeographed), p 12, para 4.2.
- 6 The unit may relate to plant/establishment or to enterprise/firm. While the latter usage is also found, the former seems to be general. The vast majority of small establishments are independent firms.
- 7 The definition was further changed in 1985 when the limit for small-scale industry was raised to Rs 35 lakh and for ancillary to Rs 45 lakh. This is the current definition. It may be of interest to note that a new category of tiny units was created in 1977 by defining them as units with investment not exceeding Rs 1 lakh and located in villages and towns with population of less than 50,000. In 1980, the investment limit was raised to Rs 2 lakh. This is also the current definition of a tiny unit.
- 8 SBP Board of Consultants and Engineers, Handbook of Reserved Small, Cottage and Tiny Industries, New Delhi, 1984, Ch 1, Tables 2 and 3, pp 4 and 5. Originally from Government of India, Small Industry Development Organisation: source listed therein.
- 9 We refer here to the experience of field investigators of small industry surveys. When personally approached on the basis of records, they find substantial numbers of small units falling in one or the other of the following categories—duplicate registration, not belng small, not yet established, permanently closed, not traceable, no/inadequate response, etc. It is possible that the last two categories may also include units belonging to the 'others' categories. For illustrations of the number of such units, see Sandesara (1980), Footnote 33, pp 40-41.
- 10 For the latest detailed information on the programmes, refer D Nagaiya, Small Industry Development Programmes in India, National Institute of Small Industry Extension and Training, Hyderabad, 1982; and Government of India, Ministry of Finance, Economic Survey, 1986-87, New Delhi, 1987, pp 43-44.
- 11 Government of India, Statement on Industrial Policy, New Delhi, 23rd July, 1980, para 19.
- 12 R B Sutcliffe, Industry and Underdevelopment, London, 1971, especially Ch 5 and Ch 6; The Indian Council of Social Science Research, A Survey of Research in Economics, vol v, Delhi, 1975, Chs 1 and 2
- 13 For a summary view of the findings of these studies, refer to Sandesara (1980), pp 18-20.
- 14 For details see Sandesara (1982), especially ch xu.
- 15 1bid.
- 16 Factory employment statistics based on Tata Services Ltd, Statistical Outline of India, 1986-87, Bombay, 1987, Table 76, p 81. Small industry number statistics based on S B P Board of Consultants and Engineers, op cit, Table 1, p 4; originally from reply given by the Minister of State for Industry on the Rajya Sabha unstarved question

- No 484 dated 24-2-1983.
- 17 M D Godbole, Industrial Dispersal Policies, Bombay, 1978, p 12.
- 18 Government of Maharashtra, Planning Department, Report of the Fact Finding Committee on Regional Imbalance in Maharashtra, Bombay, 1984, ch 13, Table 13.11 and 13.12 pp 271 and 272
- 19 For details see Sandesara (1982), especially ch xii, p 120.
- 20 Almost all studies on this subject have thrown up evidence of widespread excess capacity and sickness in this sector. An official survey estimated for 1972-73 for three groups of small scale industry capacity utilisation of about one-half in each. One of these groups had 29 industries, the second 35 and the third 14. See Development Commissioner, Small Scale Industries, Government of India, All India Report on the Census of Small Scale Industries, vol 1, New Delhi 1976, ch IV, Tables 4.8, 4.9 and 4.12, pp 31, 32 and 34.
  - Incidence of sickness in small industry, which of late is growing fast, has now assumed an alarming proportion. As of December 1985, 16.42 lakh small units have been provided with bank credit amounting to Rs 7,829 crore, of which 1.18 lakh units (7 per cent) have been found to be sick with outstanding bank credit of Rs 1,071 crore (7 per cent). Of these sick units, 7,800 (7 per cent) with outstanding bank credit of Rs 245 crore (23 per cent) were considered by banks as potentially viable. Of these viable units, 2,200 (28.0) with outstanding bank credit of 176 crore (72) were put under nursing programmes by financial banks. See Government of India, Ministry of Finance, Economic Survey, 1986-87, New Delhi, 1987, pp 40-41.
- 21 For evidence and observations on easy entry, high profitability and liberal assistance, see Sandesara (1980), pp 25-26 and fn 25, pp 39-40.
- 22 For evidence and observations on different types of waste, see Sandesara (1980), pp 27-28.
- 23 On this point, the following observation is of interest: "... sometimes it happened that the entrepreneurs took occupation of the sheds and tried their best to obtain raw material quotas and machinery, etc, on easy terms, but as they are men with small means they became impatient on considering the time they would require to get started in business and quit the estate. Besides, in two cases, it has been found that the chosen entrepreneurs quit the estate after making easy money by blackmarketing their plants and equipment and essential raw materials. In one case the author discovered that address given by a particular firm was fictitious." K Bandopadhyaya, quoted in Sandesara (1980), fn 32, p 40.
- 24 Without suggesting any proportion of such units, we refer here to the third comment on SIDO statistics in part 11, and to the source cited in footnote 9.
- 25 Sandesara (1982), ch xi.
- 26 Of the four points listed here, the last two have not been dealt with here. For them as also for elaboration of the first two points, reference is invited to Sandesara (1982),

- especially chs xt and xtt.
- 27 Attention may be drawn here to some of the recent 1LO studies which have a focus of this kind. See, among others, A S Bhalla, Technology and Employment in Industry, International Labour Office, Geneva, 1975.
- 28 The examples of khadl and other types of cloth are given on the respective characteristics relating labour-intensity, cost of production and quality of cloth as known on the basis of available evidence.
- 29 John Jewkes, 'The Size of the Factory', Economic Journal, London, June 1952, pp 248 and 251. For some evidence on the efficiency of medium-sized units, see
- I M D Little, 'Small Manufacturing Enterprises in Developing Countries', World Bank Economic Review, January 1987, Washington D C, especially Section 11. While summing up the evidence, Little says: 'These surveys did not provide evidence that small firms employ resources more efficiently (either technically or from a social point of view) than large firms, nor even that they are reliably more labour-intensive. If our research can be held to suggest anything about size and economic or social desirability, it is that beauty is to be found mostly in the middle of the size distribution' (p 215)
- 30 J C Sandesara, 'Employment in Industry: Seventh Plan Approach', Economic and Political Weekly, October 20-27, 1984, Appendix, p 1818; also 'Small Industry: Employment Growth in Seventh Plan', Economic and Political Weekly, Bombay, February 1, 1986, Table, p 191.
- 31 Government of India, Planning Commission, Reports of the National Committee on the Development of Backward Areas, New Delhi, especially Reports on Industrial Dispersal (October 1980) and General Issues Relating to Backward Area Development (November 1981), Sections V11 and VI respectively in Summary of Conclusions and Recommendations.

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# Decentralised Planning: West Bengal Experience

Arun Ghosh

This paper discusses both the underpinning of the theoretical approach and the practical evolution of decentralised planning in West Bengal. It also examines the extent to which the West Bengal experiment at decentralised planning has succeeded, the problems it has faced, and the portents for the future.

#### THEORETICAL UNDERPINNING

THERE is, understandably, a great deal of interest among thinking circles in the West Bengal experiment at decentralised planning, at the district and block level. The recent Karnataka experiment, in regard to which information is yet to filter through, and the talk of 'district planning' by central leaders, have turned people's attention to the experience of West Bengal which, apart from Tripura (until lately) is the only state to have had two quinquennial elections to the panchayats, one in 1978 and the other in 1983, with a third quinquennial election (to the panchayats) coming up on 28 February, 1988. The Tripura experiment is, of course, in grave danger of being interrupted now, but that is another story.

In a sense, there is some piquancy in regard to the pursuit of decentralised planning by West Bengal. There is an inherent contradiction in the concept of planning from below in any political framework; but this is especially so in a state ruled by a leftist government wherein the majority (or dominant) voice is that of a Marxist-Communist Party. The political philosophy of Marxism rests on the principle of 'democratic centralism' until the ultimate 'withering away of the state' (which is unlikely to occur anywhere in the foreseeable future). Centralism is therefore inherent in a communist framework, and one would have imagined that the Congress Party, which drew its inspiration (at least until independence) from Mahatma Gandhi, would make greater effort at introducing decentralised planning than a state government headed by Marxists. It is, therefore, important to examine both the underpinning of the theoretical approach and the practical evolution of decentralised planning in West Bengal. It may also be useful to examine the extent to which the West Bengal experiment at decentralised planning has succeeded, the problems it has faced, and the portents for the future, provided that West Bengal is allowed to be ruled by a popularly elected government without violence being instigated and let loose by outside forces leading to army (and central) intervention of the type that has recently overtaken Tripura before state level elections.

The most important point to note in this context is that the starting point of the entire exercise—indeed, the very basis of the polity in the state of West Bengal—was the politicisation of the elections to the local panchayats. The panchayati raj dreamed of in the fifties by S K Dey, and introduced by Jawaharlal Nehru, did not envisage the politicisation of panchayati elections. In

retrospect, perhaps that was the reason for the failure of the experiment at community development through the panchayats; the latter came to be dominated by the existing power structure in the rural areas, in the body of landlords, large landholders and the propertied classes. No matter that the political system in the country as a whole is a parliamentary democracy (of the UK pattern), real power and authority in the rural areas in India have traditionally been concentrated in the hands of a few; and the exercise of political franchise periodically for the election of a distant member of the union parliament or the state legislature has not changed either the power structure or the economic stratification in the rural areas, in the country as a whole.

In West Bengal, the Left Front government (led by the CPM) started action in 1977 on two fronts: first, they initiated a process of land reform (in turn, through two types of action, by recording the land tilled by share croppers and by giving them both permanency of tenure and access to credit; as also by the distribution of ceiling surplus vested land, aggregating thus far to about one million acres among approximately 1.4 million landles agricultural labourers); and secondly, by politicising elections to the panchayats and contesting panchayat elections on party lines, during 1978.

We are not concerned here with the success or otherwise of land reform in West Bengal. That again, is another story, though 'Operation Barga'—the registration of share croppers—is far from complete. But the impact of both the politicisation of the panchayat elections and the implementation of land reform with the help of the panchayats has been the build up of a degree of political awareness and participation by the masses of rural people in panchayat activities which is unparalleled, and somewhat unique (except for Tripura, under Left Front rule until lately) in the entire country.

The above two measures have helped to make the local panchayats in West Bengalat the Gram Panchayat and Panchayat Samiti levels-fairly lively bodies, with representation from all sections of the population including the poorest. In this background, the principle of 'democratic centralism' has operated rather well and constructively. The broad framework of instructions from the party headquarters has been to lay down the 'guidelines' for land reform and for assistance—under diverse rural development and employment programmesto the weakest sections of the rural population, to mobilise popular opinion for local works calculated to benefit these sections.

Thus, the guidance from the top was limited to the subjects of land reform and assistance to be given to the beneficiaries of landreform as far as possible (as also to agricultural labourers who did not benefit directly from land reform). Thus, local problems, and decisions as to their solution, were left to be tackled by the panchayats. Indeed, that has been the basis of the implementation of land reform through the panchayats in the first instance; and that has been one of the reasons for the virtual abandonment of 'Operation Barga' midway through the process of registration of all share croppers, lately.

Once again, we are not concerned here with the lapses-and there have been quite a few-or with the failure of the panchayats to function as originally envisaged, in a few places. These are matters for other social scientists to investigate. Our concern here is with the introduction of decentralised planning, the underpinning for which was provided by the politically active and lively panchayat system, introduced since 1978. It is in this sense important to realise that for the success of decentralised planning, for the introduction of a regime wherein the 'havenots' have a say in the formulation of plans and programmes intended to benefit them, it is necessary to usher in a political system wherein the self-same 'have nots' get real power, at least insofar as local affairs are concerned. In West Bengal, the experiment at decentralised planning (initiated from 1985-86) was preceded by the politicisation of the panchayat elections (in 1978 and 1983), by the introduction of land reform through the panchayats, and finally, the implementation of programmes like the IRDP, NREP, Drought Relief Programme (and other rural development and employment programmes) through the panchayats. In fact, these latter gave the panchayats. experience in regard to the formulation and implementation of local works programmes, and a move towards 'decentralised planning' was thus only a step forward for these local bodies. It is well to remember this prior preparation by way of political awakening and readiness that preceded the introduction of decentralised planning in West Bengal from 1985-86.

In a way, it is surprising that this thrust for the formulation of purely local schemes locally, has by and large remained limited to West Bengal. One recalls in this connection the experiment at decentralised planning in Maharashtra and Gujarat in the seventies, where the district plans drawn up by the panchayats were, initially, a great success. Perhaps their very success spelt their demise;

the MLAs and MPs, perhaps even the state cabinet felt disturbed and uneasy at the growing signs of a shift In the centre of power and authority in these two states. For the fact remains that nobody really likes to shed power; and the bureaucracy successfully played upon the fears and misgivings of the state government leaders. With time, therefore, the role and the authority of the panchayats receded into the background, and the role and authority of the bureaucracy-backed by the ministers, MPs and MLAs-increased. The planning process in Gujarat and Maharashtra thus gradually came to be decentralised only in name, not in substance. It is well to remember this background when discussing the introduction of "district level planning" with the help of the district magistrates, which is being pushed by the central leaders today.

Nonetheless, one must also remember that, in a sense, the beginning of decentralisation of an effective kind dates back to around the mid and late seventies, when substantial wheat surpluses with the central government led to the launching of the food for work programme. Not many remember today, not many are even aware today that the late M G Kaul, then finance secretary, persuaded Indira Gandhi to launch this programme in the context of what was then regarded as 'burdensome' surpluses of foodgrains stocks with the government, the existence of considerable rural unemployment, and a sluggish rate of growth of the economy. The programme, first propounded in 1976, got a shot in the arm after the bumper harvest of 1977-78. The implementation of the Food for Work programme was necessarily left to the local authorities. But whereas, in the rest of the country, the local administration came to be vested with this responsibility, in West Bengal, the Left Front government decided, wisely, to entrust both the planning of rural works and the mobilisation of rural labour for this purpose. to the panchayats, after the state wide panchayat elections in early 1978. During the eighties, the food for work programme came to be redesignated as the National Rural Employment Programme (NREP), buttressed later by the Rural Landless Employment Guarantee Programme (RLEGP). Mention should be made of yet a third programme, linked to the removal of rural poverty. namely, the Integrated Rural Development Programme (IRDP). It was in a sense these programmes which gave the major thrust to the development of the panchayat system as an effective machinery for the planning of local works, as well as a body to be entrusted with the task of deciding on the beneficiaries of IRDP. Thus, the responsibility for the implementation of land reform as well as the responsibility for the implementation of the above (and other rural programmes, such as the drought relief programme in 1983) have been factors that have lent vitality to the panchavat system, and have also been an appropriate prelude to the introduction of decentralised planning at the grassroots level, with the help of the panchayats.

It would thus be seen that the idea of local level planning and implementation of local area specific schemes and programmes is not a new one; the introduction of decentralised planning in 1985-86 had the backdrop of this experience of the panchayats from 1978 onwards.

Nonetheless, many experts at the centre are still not able to reconcile planning with decentralised activity. It would, therefore, perhaps be in order to devote some space to the rationale for decentralised planning.

#### LOGIC AND RATIONALE OF DECENTRALISED PLANNING

There are, of course, many areas of economic activity which call for planning and action at the central level, as, indeed, there are areas which call for planning and implementation at the state level. And yet, in a country of India's size and diversity, it can never be possible for any authority (even at the state level) to be fully aware of the specific needs as well as the potential of economic growth in all areas. Even leaving out the metropolitan area of Calcutta, the fifteen (and of late sixteen) districts of West Bengal have, on an average, a population of around 3 million each, which is larger than the population of many of the smaller countries of the world. In each of these districts, there are large sections of the population which have hitherto been left out of the mainstream of economic activity and economic growth. When one gets down to the micro level needs of different areas, say, at the block level, one finds that the resource endowment, the needs of the people, and the existing level of development vary greatly. For example, at any point of time, the highest priority need in one block may be the sinking of tubewells to provide for irrigation; in another, and may be neighbouring block, the greatest need may be the improvement of the drainage system to avoid water logging. A third block may have the greatest need for better communications to link it with the market system; a fourth may feel that the greatest need is the improvement of veterinary services. These diverse needs (and priorities) may apply even within one district; as between districts, the priorities would obviously be vastly different. One has only to look at the objective conditions in. say, the Sunderban area as compared to Purulia, or say, Jalpaiguri, to realise this.

It could be argued that the specific needs of each area could be looked after by setting up special area development authorities. West Bengal has several such bodies. And yet, they have not been able to bring about the type of resurgence that one may hope for. One reason may be that the area development authorities which have been set up and funded by the state government, have, over time, taken on the characteristics of state government departments, without either independent authority or independent financial powers. These area authorities are manned by people appointed by the state government, and their functioning is no different from that of the various departments of the state government. As such, they do not really reflect either the voice or the needs of the common people at the local level.

Yet another reason, closely allied to the need for decentralisation of the decision

making process, is the need to enthuse people in the entire planning exercise, and to take the planning and implementing authority down to the people themselves. The spirit of self-reliance has to suffuse not only the economy as a whole but all the people individually and collectively. There is also the problem of a general popular disenchantment with the process of planning in the country. In order to enthuse people to the idea of planning for development, not only is it necessary for the benefits of planning to reach all the people, it is also essential to ensure the participation of people in the planning and implementation exercise.

The state government is a remote authority to an ordinary villager; but the gram panchavats are directly elected by the villagers. sometimes with a narrow majority; and the pradhan of the gram panchayat is a neighbour. So the programmes undertaken at the gram panchayat level are of direct relevance and of direct interest to the villagers. And when local plans are expounded, discussed and approved at the local level, the villager becomes a participant in the process of plan formulation. Only in this manner can people be enthused to plan for their own future development and to participate in the plan exercise. The participation and involvement of the common people in the planning process require that a part of the decision-making process should be left to the people themselves. They must decide on the priorities of development insofar as there are many schemes to choose from, and they must be made to work out their solutions to pressing problems of the area in terms of their own perceptions of needs and priorities. And these priorities cannot be based on any remote individual expert's perceptions, however enlightened that individual may be. There is need for group discussions, group awareness, down at the micro village level.

There is yet a third reason why the need for decentralised planning has been felt rather acutely of late. Traditionally, the planning exercise had been confined to the formulation of diverse departmental plans some of which may be, and indeed are fre-quently at variance with each other. Indeed, at times the plans and activities of two departments may even nullify each other. This is not merely a matter of lack of coordination at the state or the central level. The state plans, for instance, are formulated by the various departments on the basis of over all priorities at the state level. In general, there should be no conflict or contradiction when the problem is examined at the state level. However, there could be a district or a block where an overall state level policy may be totally unsuitable. One example may suffice. The department of fisheries of the West Bengal government is concerned with the all round development of fisheries, be they inland or marine or in semi-brackish water—the last in areas where there is natural ingress of tidal waters which can be controlled by the construction of stude gates. Many areas in the Sundivisors fall into this last organical between the seminary lines or the seminary lines o this last category. However, large tracts in the Sunderbans have been protected from the ingress of saline water through embankments assiduously constructed and maintained by the department of irrigation and waterways; and in these areas, the primary vocation of the people has been agriculture, where irrigation is provided by ponds or by re-excavated derelict channels which should be used for storing rainwater for raising additional crops needing low moisture, after the main monsoon fed aman paddy crop.

In some of these areas, the fisheries department has encouraged prawn culture through the ingress of saline water. This has been done by a few private fishery owners, by means of cutting some of the embankments and putting up box type sluice gates for permitting periodic ingress/discharge of saline water. But once tidal waters are let into a few farms converted into fisheries, they spill over to all the adjacent farms; and in the Sunderban area, the erstwhile farmland of several entire islands has been rendered saline and unfit for cultivation in the process. Initially, the well-to-do brackish water fishery operator starts by giving a small rental to small land holders, for permission for prawn culture after the aman paddy crop. Gradually, as the land turns saline, aman paddy cultivation gets to be unremunerative, the rent for the use of land gets less and less, and the entire area gets forcibly converted to brackish water fisheries, entirely under the control of gunmen hired by these large brackish water fishery owners. This process, which has led to substantial foreign exchange earnings through the export of prawns, has, nonetheless, ruined tens of thousands of farm's in several blocks in the Sunderban area; making the land unfit for cultivation, and rendering unemployed myriad erstwhile cultivators, who have not only lost employment and income but effectively their farms also. While these brackish water fisheries have given a high income to a few, apart from increasing the foreign exchange earnings from exports, they have created a major social and economic problem in the process. The thousands of households left unemployed create a major problem for the state; since it is not easy to find alternative employment opportunities for these people. There is also an inevitable increase in the incidence of crime and socially undesirable activities. Understandably, this policy is opposed by the departments of irrigation and waterways and of agriculture, as well as by the district authorities of 24 Rarganas, who face increasing law and order problems as a result of the policy pursued by the large brackish water fishery owners, aided or abetted by the department of fisheries, the commercial banks, and the ministry of commerce of the government of India. Thus, the pursuit of a desirable policy of fishery development by the department of fisheries, without adequate consultation with the local people or even the local authorities has led to several harmful results. This is an example of how an otherwise 'astifiable policy can be most inappropriate in a certain area, and underscores the need for involving local people while formulating schemes which impinge on their lives and activities.

There are other reasons why decentralised planning is necessary for securing optimal results from the totality of plan effort in any

area. While there are diverse departmental plans being implemented in any specific area, there are, at the same time, many programmes being implemented by the panchayats (or, in some states, the local authorities) under the umbrella of IRDP, NREP, RLEGP, DPAP, et al. And quite frequently one can discern the absence of coordination in the efforts and activities as between the different authorities in a specific area.

It may be useful to again illustrate the point. The PWD (Roads Wing) of the government of West Bengal has a master plan for the construction of Outer District roads. These plans are known only to the PWD headquarters at Calcutta. Many village roads are today being constructed under the umbrella of the RLEGP or NREP; but these are constructed without reference to the PWD road construction programme. If the efforts of the two authorities were to supplement each other, the total road construction programme would be more rational and optimal. Or, take the efforts at minor irrigation works by the department of minor irrigation and of the panchayats under the IRDP or NREP or even RLEGP. The location of river lift irrigation schemes or tube-wells by the former is determined without reference to the activities of the latter; and the local authorities are not even aware (in advance) of the future programme of the department (at the state level). It is, therefore, not as if the two programmes are always complementary. And when resources are scarce, we can ill afford the luxury of duplication of effort in one area, and the complete lack of any effort in another.

The activities of the different departments are also frequently planned without reference to the plans and programmes of sister (and complementary) departments. For instance, agricultural output may be stated briefly to be a function of the availability of irrigation water, good seeds, fertilisers and other inputs, and the introduction of the best technology through extension effort. But the programmes of the department of agriculture are not always drawn up in consultation with, say, the programmes of the department of irrigation, or of the department of co-operation (in charge of cooperative credit) and their efforts are not necessarily co-ordinated. The bureaucracy, or even the technocracy in each department is somewhat zealous in its pursuit of its plans without reference to sister departments. For instance, the department of animal husbardry may be trying to promote dairy farming in an area without reference to any fodder development programme, for which coordination with the department of agriculture may be necessary. On the surface, It may appear that these are essentially problems of co-ordination at the state level, but in fact, the problem is not quite that simple. The actual implementation of detailed programmes is the responsibility of the field staff of different departments. They need to co-ordinate their activities with their colleagues from other departments; but the chain of command being separate, and each line department being somewhat jealous of its own authority and responsibility; the synchronous release of funds and co-ordinated activity by different authorities is hardly ever achieved in practice. The result is a dissipation of both manpower and money on programmes that yield little practical results.

There is thus the two-fold problem of lack of co-ordination between different departments operating in the same area, and lack of harmony between the efforts of the government departments and those of the panchayats (in connection with rural unemployment and poverty alleviation programmes under IRDP, NREP, RLEGP, etc). The need for decentralised planning and coordination arises specifically to correct these lacunae. The programmes under consideration may be state level programmes; but their application in the field may need the coordinated efforts of many authorities in each separate area. Hence, there is need for greater co-ordination between the efforts of the different authorities operating in an area. The required co-ordination cannot be achieved at the state headquarters, since the precise requirement of co-ordinated effort would be highly specific to each area.

### BROAD PROCEDURE ADOPTED IN WEST BENGAL

Decentralised planning at the district and block levels was adopted in West Bengal from 1985-86, the first year of the Seventh Plan. While the quality of the plans prepared in different districts has varied, perhaps it should be stated at the outset that in the very first year, except for one or two districts, the district plans prepared for 1985-86 have been very clearly in the right direction, and some of them of outstanding quality. In what follows, an attempt would be made, first, to explain the detailed procedure adopted, in the case of the district of Midnapore, for putting together the final district plan for 1965-86; explain with reference to another district, Burdwan, the broad pattern of the plan for that district; and then indicate some of the procedural steps adopted by the state government, and the lacunae therein.

The preparations in regard to the drawing up of the district plan of Midnapore commenced from about January or February 1985 when the sabhadhipati of the zila parishad (of Midnapore district) started extensive tours to each of the 53 panchayat samitis of the district, and to many of the gram panchayats also. Each gram panchayat was asked to prepare a 'needs statement'or the most acutely felt problems of the panchayat area (or 'anchal'). Each panchayat samiti was to: (a) prepare a series of maps of the block, outlining the existing facilities, resources, and resource use; and (b) with the help of sub-assistant engineers available at the block level, prepare schemes to meet the most acute problems of each gram panchayat (based on the 'needs statements' collated by them). A general guideline issued to each panchayat samiti was to limit the value of all schemes to a total ceiling of Rs 10 million for each block. (The rationale for this figure, arrived at in the state planning board, would be indicated later.)

Each panchayat samiti was also to prepare a statement of the ongoing and proposed



# STATE BANK OF BIKANER AND JAIPUR

ABRIDGED BALANCE SHEET AS AT 31ST DECEMBER, 1987

(Rupees in Lacs)

31-12-1986	CAPITAL AND LIABILITIES	31-12-1987	31-12-1986	PROPERTY AND ASSETS	31-12-1987
	Subscribed and paid up		17514.48	Cash	39747.90
320.00	Capitai	2080.00			
	Reserve Fund & other		249.04	8alances with other banks	NII
408.29	Reserves.	560.20	İ		
128703.14	Deposits and other accounts	165139.86	i	Money at call and short	
			Nil	Notice	NII
	Borrowing from other Bank-		41559.54	Investments	50881.01
14095 31	ing companies Agents etc.	16053.37	i		
1168 89	Bills Payable	1502.65	77549 70	Advances	89719.57
	Bills for collection being bills			Bills Receivable being Bills	
8151.11	receivable as per contra	5391.6 <b>8</b>	8151 11		5391.68
2861 73	Other Habilities	7360.31		Constituents Liabilities for Acceptances, Endorsements and other obligations as	
I			2783 23	per contra.	2540.04
	Acceptances, Endorsements		365.70	•	470.81
	and other obligations as			Furniture, Fixtures and	-
2783 23	per contra.	2540.04	447 57	•	509.21
0.02	Balance of Profit	0.04	9871.35	Other Assets	11367.93
158491 72	TOTAL	200628.15	158491 72	TOTAL	200628.15

# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1987

1986	EXPENDITURE	1987	1986	INCOME	1987
0004.70	interest paid on Deposits,	4040244	12749.75	Interest and Discount	14535.36
9096 70 4090.91	Borrowings etc Salaries, Allowances etc	10623.11 4592.33		Commission, Exchange &	
	,		1879.39	8rokerage etc.	2408.43
1341 24	Other Expenditure	1566.48	1.33	Other Receipts	1.55
101.69	Profit	163.42			
14630.47	TOTAL	16945.34	14630.47	TOTAL	16945.34

1988 - OUR SILVER JUBILEE YEAR

SAMPAN

programme of plan outlay of different departments/authorities in each block during 1985-86. The required information was, however, not available at the block level, and in practice, this responsibility fell on the district planning authorities, though even they found it difficult (in the first instance) to collate the required information. In early 1985, the proposed outlay for 1985-86 by different departments was not available to anybody, and in practice, the district planning authorities had to rely on the expenditure on diverse schemes and programmes incurred during 1984-85, and attempt to make adjustments after discussions with the concerned authorities. These outlays were to be presented in the schematic manner indicated in the Table.

Several clarifications are in order at this juncture. First, and to repeat, the information in the schematic manner indicated above was not available at the block level except for a very few departments. Most departments were able to give the information only at the district level, and some failed to supply even that information. This indicates, inter alia, that departmental plan funds are not always entirely committed, except to the extent that they go to meet establishment costs. However, and this point is of some significance for policy makers, and should give us cause for concern, much of the plan outlay of most departments goes only to shore up establishment costs; very little benefit filters through to the local populace. To go back to the problem under discussion, some information on past outlay was available at the local level, though not directly from the departments. Secondly, for some departments, while the districtwise totals of proposed outlay (during 1985-86) were available, blockwise schemes had not even been formulated when the information was sought. This indicates to some extent the flexibility that is in practice available, since many departments are not tied to long gestation, ongoing schemes with a large 'committed expenditure'; the committed expenditure related only to establishment costs of staff funded under the Plan; the schemes are hastily put together after the availability of funds is known, sometimes based on the judgment of local officials. Where this situation was found, the departmental officials could be persuaded-in some areas at least, as in Midnapore for instance—to formulate the schemes in consultation with the district/block authorities; happily, many of them agreed to do so.

The matrices so prepared (for 1985-86) did not naturally add up to the total plan allocation for the year. Many of the squares in the matrix remained blank. But this being the first year of the district planning exercise, it was decided to proceed without waiting for formal neatness of the 'district plan', which was inevitably to remain somewhat incomplete. Like central and state plans, the plan for the district was also to have an overhang of a considerable amount of 'committed' expenditure, but at least one got to know all the ongoing schemes in a district. For the local authorities, this was a new, and an exhilarating experience; hitherto, they had been kept out of the picture in regard to what is going on in their own area, by the departmental authorities.

Incidentally, the schematic presentation of all ongoing schemes in a district was an eyeopener in several ways. Even many of the departments did not have information in regard to the actual state of play in respect of their depart mental schemes in the field. The collation of the statement threw up obvious anomalies and gaps in the efforts made thus far under the state plan. The priorities for the future became obvious, especially in the light of the objective situation in different areas and the 'needs statements' prepared by the gram panchayats.

The innovation made during 1985-86 was to start a new budget Head, for 'district plan schemes' (DPS), for which a separate allocation of funds was made by the state to the districts. This amount was to be made available to the district planning authoritics, to be spent at their discretion, and was intended to be used for topping up outlays of other departments/agencies as may be required, or for initiating vitally important new schemes as per the perceptions of the block/district planning authorities. The DPS funds released amounted to Rs 20 crores for 15 districts during 1985-86, and this amount was distributed among the different districts in accordance with a formula evolved in the state planning board-based on population, extent of under-development (e.g., inverse of per capita power consumption), incidence of poverty (e g, proportion of landless labourers and of patta holders of vested land), and a few similar criteria. These funds were fully fungible and 'untied'; and totally under the control of the district planning authorites. Thus, apart from the possibility of using NREP/RLEGP and similar allocations, as well as departmental funds for schemes drawn up by the district planning authorities, the DPS funds were to be used for high priority requirements as per the discretion of the local planning authorities.

The guidelines issued for the preparation and presentation of schemes worth approximately Rs 10 million per block were based on two premises. First, one could then get an idea of the schemes that the local authorities felt to be more important than the ongoing (or proposed) departmental schemes for the same area. To an extent, the perceptions of the local authorities could therefore get reflected in the Annual Plan for 1986-87 which was to be prepared the next year, by the departments. Secondly, the figure of Rs 10 million was no magic figure, it was just double the average amount spent per block by different departments/ authorities anyway, even after deducting the bulk amounts--e g, on power generationspent by the state government as per the Annual Plan for 1984-85, (for 340 blocks, this meant an ongoing outlay of around Rs 170 crore). The district planning authorities were told to 'prune' the plans prepared by the block authorities-after discussions with them-to make the district plan fit into the total availability of funds available from different sources. The beneficial (and additional) fallout of this anproach was to compare the actual (or proposed) outlays by the different departments with the needs statements of the people, as prepared at the block and district level, rather than as dictated from the headquarters at Calcutta. But the major advantage of this approach has been to put (future) NREP/RLEGP schemes within the framework of a plan. For instance, even in the matter of preparation of road schemes, it has been possible to co-ordinate the schemes of all blocks, and to get them to construct a road which may cover the entire district, even though different sections of that road may well get constructed by different gram panchayats, each within its jurisdiction, say under the NREP.

To digress a little at this juncture, the rigidity of the present procedures in respect

#### TABLE

			ource of finance		Total
Programme or Scheme/ Expenditure Head	Departmental Outlay	DPAP, NREP, RLEGP, IRDP (Sepcify Separately)		District Plan Schemes Fund (for 1985-86)	

- (1) Agriculture (Scheme to be detailed as per plan budget classification)
- (2) Irrigation
  (Schemes)
  Each department to be listed serially, and their schemes or proposed schemes in their functional area, to be listed, as per budgetary heads of account

of RLEGP-which calls for central approval of each scheme, and where the centre refuses to entertain any new proposal on the ground that schemes already approved add up to considerably more than the amount of money available under the programme for 1985-86-made it difficult to put the available RLEGP funds to optimal use in the manner described above. Presumably, these ground rules for RLEGP persist even today. It would doubtless have been desirable to drop a few schemes which had not yet been started, in favour of some other schemes for the same area, which now appeared to be more important in the light of the matrix of outlays currently proposed, as against the needs statements prepared by the local populace. No matter that the RLEGP schemes had been prepared by the local panchayats, they were prepared without the knowledge of the totality of needs and the totality of other schemes being implemented by diverse authorities; and with the passage of time, it is certainly necessary to take a fresh look at all past approvals. Indeed, this is the essence of 'zero based' budgeting now proposed to be adopted even by the central government: and it is, therefore, a reflection of departmental rigidity at the centre (insofar as the department of rural development is concerned) that it is not prepared to countenance any flexibility in the matter of schemes approved under the RLEG Programme. Flexibility in this regard, and the possibility hereafterat least where local level planning has been instituted—of RLEGP schemes being drawn up within the framework of a plan, should make it possible to achieve optimum results from the central outlays under the RLEGP. In any case, the new schemes now proposed could get absorbed into the schemes proposed under RLEGP/NREP for 1986-87: and this created the possibility of using RLEGP/NREP funds within the framework of a district plan so as to maximise both employment and the creation of durable assets with the outlays proposed.

To go back to the procedure adopted in Midnapore district, after all the panchayat samitis had collated the 'needs statements' of gram panchayats, and drawn up schemes (with the help of locally available sub assistant engineers), to meet the most pressing needs felt by the gram panchayats, the 'block plans' replete with maps of the blocks were forwarded to the planning authorities at the district headquarters. In Midnapore, three sub-committees were constituted to go through all these block plans and schemes; a technical sub-committee looked into the feasibility and the estimated costs/benefits of each scheme; an economic sub-committee arranged all schemes in order of priorities, making sure of the required compatibility of and co-ordination between different schemes as well as consistency with the 'needs statements' prepared by the gram panchayats-and in both these subcommittees, help was sought from (and voluntarily given by) the Indian Institute of Technology, Kharagpur; and finally, a subcommittee headed by the sabhadhipati himself finally decided on the contours of the district plan, from the block plans. This implied that some of the schemes prepared at the block level had to be omitted for the 1985-86 district plan, to be taken up later unless the panchayat samitis changed their views (for 1986-87). An added innovation was the preparation of a 'credit plan' outlining the credit needs (for production) in the district, which could then be compared with the credit plan (supposed to be prepared by the 'lead bank' for the district), and discussed with the bankers. The credit plan was appended to the district plan.

## DISTRICT (AND BLOCK LEVEL) PLANNING MACHINERY

Perhaps it would be in order to spend a little space on the machinery for undertaking the entire planning exercise; though this should in a way have preceded the outline of the manner of preparation of the district plan of Midnaporc. In terms of a resolution issued by the government of West Bengal, a three tier local level planning organisation has been set up: a District Planning and Coordination Council (DPCC for short), a District Planning Committee (DPC for short), and a Block Planning Committee (BPC for short). The DPC-which is the effective machinery for local level planning-is composed of the sabhapatis (presidents) of all panchayat samitis (block level panchayati bodies), the karmadhyakshas of the zila parishad (i c, the executive committee of the district level panchayati body), the chairmen of all municipal bodies in the district, the representatives of statutory authorities, if any, operating in the district, and the seniormost represenatives of all the departments of the West Bengal government functioning in the district. The sabhadhipati (president) of the zila parishad is the chairman of the DPC, and the district magistrate its membersecretary. In like manner, the BPC is made up of the pradhans (chiefs) of all the gram panchayats, the seniormost departmental representatives operating at the block level, with the sabhapati of the panchayat samiti as the chairman of the BPC and the block development officer (BDO) as the membersecretary. The BPC is to prepare block level plans, on the basis of 'needs' statements prepared at the gram panchayat level, as already indicated earlier. The district plan is to incorporate, apart from the block level plans, also the municipal plans (prepared by the municipal authorities). For the latter, no separate planning machinery has been set up, the preparation of plans of municipal area development being deemed to be part of a municipality's normal work. The district plan is to be vetted by the District Planning and Co-ordination Council-which is to replace the erstwhile District Level Coordination Committee (DLCC) with a minister presiding over the DPCC, and all MPs, MLAs in addition to all members of the DPC are members of the DPCC

The question arises: why have a DPCC in addition to the DPC? The answer is pragmatic, though it must be noted in this context that the formula may contain seeds of future centralisation of what is now a part of the process of decentralisation. The composition of the DPCC is virtually the same themselves.

as the erstwhile District Level Co-ordination Committee (DLCC) which was supposed to co-ordinate the work of all departments, area and other authorities and panchayati bodies in the past. The co-ordination had generally not been effective in the past, and is now sought to be attempted through the district plans. But the real reason for setting up the DPCC supposedly lies elsewhere. Many districts have a large number of municipalities, and these bodies are independent of the zila parishad. Thus, in a highly urbanised district like Howrah or Hooghly or Burdwan, or even in some parts of the 24 Parganas, there is need for carefully organising the interface between the rural and the urban area authorities. But the sciting up of the DPCC is one matter, its composition another. As stated earlier, the induction of MPs, MLAs, as members, and of a cabinet minister of the State government as the chairman of the DPCC contains certain inherent dangers which could, as has happened in Maharashtra and Gujarat in the past, nullify the basic thrust at decentralisation of the planning machinery. It may be useful to return to this subject later, in the light of the experience of district planning in the past two years.

In theory, while the BPC and the DPC are both planning and executive agencies, the DPCC is much like the 'legislative assembly' which is to consider and review the plans put up for its approval.

The DPC and the BPC are to be assisted by a team of officials and experts, the government having decided to strengthen the technical (and administrative) staff at the district and the block level. The plans, once passed by the DPCC are to be implemented by the panchayats (the gram panchayats, the panchayat samitis, the zila parishads) and the municipalities, or by the various departments of the government, or by any other specialised agency or authority that the DPCC/DPC may designate.

A major innovation introduced in principle-but not given effect to-is that all the schemes and programmes of the different line departments, which are to be implemented on the ground in any district, would be incorporated in the district plan, and would be subject to the approval of the DPCC, as part of the district plan. For 1985-86 the 'approval' aspect was not enforced, partly because that was the first year of this new type of exercise, and partly also because the departmental plans had already been approved by the West Bengal Legislative Assembly (in the shape of the plan budget), when the district plans were not even formulated. Hence, for 1985-86, the procedure adopted was merely to incorporate all the plans and programmes of different departments insofar as they operate within a district, in the relevant district plan. This is, as may be imagined, a somewhat touchy point since this procedure cuts into the authority and prerogative of the departments, and is obviously not to the liking of either the departmental bureaucrats or the ministers (of the state government)

#### A DISTRICT PLAN IN BRIEF OUTLINE: BURDWAN

It may be useful at this juncture to give some details of the plan for any one district, drawn up for 1985-86. (We are still talking of 1985-86, first because thereafter, the same procedure has generally been followed for 1986-87 and 1987-88; and secondly, to illustrate how, even in the very first year of the initiation of decentralised planning, the concerned authorities quickly grasped the essence of the concept, and were able to come up with plans (for each district) which may be deemed to be somewhat superior in content to even the state level plan in West Bengal. Perhaps the explanation is that the district authorities, being closer to the people than their counterparts at the state headquarters, were able to come up with programmes of development which struck at the root of the day to day problems faced by the masses.

The district of Burdwan has been chosen for illustrative purposes for a specific reason. Burdwan presents enormous problems for the district planning authorities for a number of reasons. First, among all the districts (other than 24 Parganas and Howrah), it is a fairly industrialised one, with a number of municipalities and notified areas. This brings to the fare the problem of integrated development of both the rural and the urban population. This is qualitatively different from the problem of tackling rural poverty and rural unemployment through improved agriculture, better irrigation, better marketing, etc. Secondly, the district of Burdwan, with a large number of coal mines, presents problems of 'subsidence' of the earth (where underground mining is undertaken at shallow depths) thereby creating—for the rural population, and sometimes in urban areas-problems created directly by the developmental efforts of other authorities. Thus, while mining and industrialiation may absorb surplus manpower, they also create associated problems. The problem of environmental pollution created by industries can be grouped with this genre of problems, to which the district planning authorities have to respond. Thirdly, in the district of Burdwan, even planning in the rural areas presents certain unique problems, and overall (state level) priorities no longer seem to work. Burdwan is a district with little of unemployed rural labour; indeed, during peak agricultural seasons, Burdwan imports agricultural labour from the neighbouring districts of Bankura and Purulia. Thus, the relative agricultural prosperity of Burdwan rules out the simple solutions (to the task of planning) applicable in most parts of the state, and planning in Burdwan district has necessarily to become much more sophisticated than in other districts. Finally, Burdwan presents' acute diversity of conditions, the western part being dry, with problems of scarcity of water, the estern part being very wet, and in fact having problems of drainage (and of water logging, being situated at the tail end of the DVC canal system).

The district plan drawn up for Burdwan (for 1985-86) is divided into seven volumes.

The first volume gives, after a brief introduction, the methodology and the administrative arrangements; the profile of the district (basic data); district plan outlays and sectoral plans; a credit plan for the district; and a perspective plan for the district. The second volume is devoted entirely to maps-of different kinds: geological, hydrological, of irrigation facilities available, of land use, of the cropping pattern, of the communications and other facilities available, et al-delineating the basic features of the Burdwan economy. The subsequent five volumes deal with the five sub-divisions of Asansol, Durgapur, Sadar, Katwa and Kalna. For the first three, there are two parts each, one containing block plans, and the other containing plans for municipal/notified areas. For the last two which are mainly rural, there is only one volume each. There is thus a total of 33 'block plans', 6 'municipal area plans', and 5 'notified area plans'. There are three types of schemes: block level (or municipal level) schemes, district level schemes, and composite schemes. The last mentioned pertain to the 'departmental' or other schemes which are yet to be allocated to any specific block. (The district has also a Durgapur-Asansol Development Authority, the plans of which were incorporated in the district plan, and the chairman made a member of the District Planning Committee.) To quote from the Burdwan plan, "stress... has been on 'block level planning' and the success or failure of the decentralised planning process will now depend on the effective utilisation of funds at the block level. Herein a difficultly becomes apparent. Most of the executing agencies are normally subdivisional level agencies and the real task will lie in getting these agencies to execute the block level schemes expeditiously." The absence of a large body of landless labourers in the rural areas in Burdwan, referred to earlier, thus becomes a specific hurdle in that district in that the simple solution of mobilising unemployed (rural) labour to carry out diverse works programmes is no longer available to this district.

"Regarding departmental outlays", the plan for Burdwan district continues, "the main difficulty was that many departmental officers at the district level were not fully aware of their budgets... In case of some departments, firm figures could not be obtained despite best efforts and here the departmental officers... had to draw 'estimated outlays' on the basis of past budgets/outlays... Another big problem that we faced in this district emanated from the existence of 'different development schemes' or 'community welfare schemes' initiated by the large public sector undertakings in the Asansol-Durgapur belt ... Public sector undertakings ... could not be very sure of financial allotments (for plans of development which include buildings/construction of roads, drinking water facilities, construction of community centres/school

buildings etc)..."

Detailed statistics have little relevance

here. Nor does it seem either necessary or feasible to give the outline of the plan for the district of Burdwan (or for any of the. constituent blocks in the district) here. Only some broad financial magnitudes can be indicated to give an idea of the type of problem sought to be tackled by the district planning authorities. The Burdwan annual plan for 1985-86 showed a total outlay of Rs 62 crore made up of Rs 25 crore of various (state government) departmental outlays, of which Rs 12 crore were indicated for co-operation-a figure unlikely to be reached owing to the generally disorganised state of the co-operatives-Rs 2.9 crore under the roads programmes and Rs 1.7 crore for water supply. An outlay of Rs 4.8 crore was shown under electricity schemes (mainly rural electrification) and Rs 1.2 crose for the welfare of SC/ST. The allocation under NREP was Rs 3.6 crorc, under RLEGP Rs 2.4 crore and under IRDP Rs 4.4 crore. The specific schemes included under these programmes was the part where the district planning authorities had endeavoured to reflect the needs statements drawn up by the panchayats. An amount of Rs 1.1 crore was distributed under the new budgetary head 'District Plan Schemes', and this was entirely at the disposal of the district authorities; a welcome sign was that these funds were partly used for new schemes and partly to complete on going schemes! But the really large outlay indicated was Rs 21.8 crore under central government project plans, area authorities et al, which were for information only as far as the district plan was concerned. All outlays were distributed sectorwise, the detailed schemewise outlay being shown under the various sectoral plans. These, in turn, were aggregated from the five sub-divisionwise plans, themselves aggregated from block plans.

A credit plan of Rs 35 crore was appended—drawn up in consultation with the commercial banks operating in Burdwan district—thus seeking to integrate the district-wise credit plans drawn up by banks with the plans for sectoral development drawn up by the district planning authorities.

The reason why these detailed figures are indicated here is that effectively, the funds under the direct control of the panchayats—and therefore, of the district planning committee—may be taken as:

	(Rs Crore)
NREP	3.6
RLEGP	2.4
IRDP	4.4 (for beneficiary oriented programmes only)
DPS fund	1.0
	11.5

Furthermore, in the first year, a good part of the NREP/RLEGP funds may be deemed to be generally committed for 1985-86, and so the district plan could at best only show these outlays, and not plan any new projects against these funds.

Thus, the main advantage of drawing up such an elaborate plan for 1985-86 was essentially to indicate the pattern of developmental outlays by diverse authorities, sectorwise and areawise, which, when compared with the basic 'needs statements'

prepared by the blocks, could then help to shape the future priorities of plan outlay. The most important area where cognisance needs to be taken in this connection concerns the outlay by different departments of the state government, especially since the plans of central government departments/projects/authorities are really not within the control of the state government. To really have an impact, it would therefore be clearly necessary to introduce increased interaction (within the state) between the departmental authorities and the local planning bodies. That alone can bring about optimality of the plan outlays undertaken by different agencies of the state government.

How about the block plans? Again, one may take a saniple, and pick on the Kalna sub-division plan (Volume VII of the Burdwan district plan for 1985-86). This volume contains, in turn, six block plans, for Monteswar, Purbasthali I, Purbasthali II. Kaina I and Kaina II blocks plus a plan for Kalna town. Each block plan is preceded by a map of the block, all basic statistics pertaining to the block, and the matrix of (schemewise) sectoral outlays financed under diverse sources of funds. The departmental outlays are broken up, for each scheme, as between establishment costs and developmental outlay. Incidentally, this indicates, inter alia, how a significant part of developmental (or plan) outlay is lost in meeting the overhead costs of the 'establishment' enarged to the plan programme. For instance, of the total outlay of Rs 11,500 on 'intensive cattle development' in the Monteswar block, Rs 10,400 are to be spent on the establishment and only Rs 1,100 on the substantive programme for cattle development. To digress, it would appear that the state plan has become essentially a programme for the promotion of the buraucracy-yet another reason why it would be desirable to focus increasingly on the dissemination of information and propagation of new techniques (or the provision of extension) through the panchayats, and the implementation of plan programmes through local level institutions. That may help to increase the proportion of developmental outlay going to meet the needs of development, in lieu of mercly inflating the bureaucracy.

Finally, the plan for Kalna municipal area envisaged an outlay (in thousand rupees) of 56 on animal husbandry, 402 on cottage and small scale industry development, 184 on education, 108 on fishery development, 250 on roads, 5 on social welfare and 19 on veterinary services—a total of Rs 1,019 thousand. The proposed outlay included the setting up of poultry farms especially by SC/ST people, construction of industrial sheds. assistance to unemployed people under the Special Employment Programme, capital grants to schools, installation of a fish hatchery and supply of fishing nets, etc, to (SC/ST) fishermen at subsidised prices, improvement of roads and drainage, and the strengthening of artificial insemination facilities for cattle. These drab details are being given here because the expenditure pattern indicates, incidentally, how many of the towns in West Bengal have essentially a rural

orientation. Though the 'needs statements' showed awareness of the need for over all planning (e.g., of a communications network), the lack of funds did not permit such forays in the 1985-86 district planning exercise. The plan does emphasise the need for a new bridge over the Damodar river, opening up and connecting. Purulia with south western Burdwan district.

# FURTHER DEVELOPMENTS AND FUTURE PROSPECTS

We have so far been concerned with a dry narration of the manner of formulation of local level plans. In essence, the approach adopted by the State Planning Board, while introducing the process of decentralised planning, was to gradually bring about a shift from sectoral planning from the head-quarters to area planning in each area, sectoral plans for each area being drawn up in accordance with the objective situation in each area.

The district plans formulated in 1985-86, in retrospect, were exceptionally competent, replete with basic data, maps, needs statements, and actual schemes evolved to meet some of the more pressing needs of each area.

How have the plans worked in practice? What have been the difficulties, if any, and what lessons emerge in retrospect?

First, until lately, the mandarins in the Writers Building appear to have succeeded in blocking either the progressive release of funds or even the formal seconding of staff approved for the district and block level authorities as far back as 1985-86. The original allocation for 1985-86 under the budget head 'district plan schemes' was Rs 24 crore. The amount actually released during 1985-86 was only Rs 20 crore; the 1986-87 budget provided for Rs 30 crore

under this head, but the amount actually released was Rs 12 crore. The budget for 1987-88 restored the allocation to Rs 24 crore, but it is not known, as of the time of writing, what the amount actually released was.

This large dichotomy between the amount initially promised and the amount actually released-demoralising to the district and block planning authorities as it is—is not the only problem. In 1985, the district authorities were promised some additional staff at the district headquarters, and also some staff at the block level: a small complement of three or four experts and some accounts clerks at the district headquarters and some sub-assistant engineers (SAEs) and accounts clerks at the block level. The proposals, approved by the West Bengal government as far back as 1985 are yet to be implemented, for the puerile objection (raised by bureaucrats at the headquarters) that new personnel cannot be recruited except through the Public Service Commission. And the procedures in that regard arc so time consuming that no appointments have yet been made. Even if appointments were to be made, presumably from the headquarters, posting to distant places would still present a major difficulty. Considering the usual norm of, say, the PWD, of an SAE for every Rs 5 lakh worth of outlay, an amount of Rs 2,400 lakh should entitle the local planning bodies to an increase in the number of SAEs by 480. That may not be necessary; but the fact that none has been appointed so far highlights the difficulty of the task of the local authorities given enormous new responsibilities without any powers. Apart from SAEs, the local planning authorities nced a team of accounts clerks, since a complex system of accounts needs to be kept in regard to outlays undertaken against diverse sources of funds; and here again no addi-

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tional staff has been sanctioned or granted to the district or block planning committees. They have been forced to make do with temporary hands they can appoint as 'work charged staff', upto an amount involving 7.5 per cent of the 'works expenditure' undertaken by them directly. Thus, here again, the mandarins in the Writers Building have succeeded in putting in a monkey wrench in the efforts of the State Planning Board, to hring about a cohesive attempt at local level planning.

More significantly, there is little progress in regard to the co-ordination and vetting of departmental plans-insofar as they affect a district—by the District Planning and Co-ordination Committee. Power is not shed easily or voluntarily by any individual; and the departmental mandarins at the state head-quarters have not in general relinquished their control or authority over departmental outlays. True, a few isolated ministers have instructed their officers to co-operate with the district planning officials, but these belong to the less important departments with low budgetary allocations. Since the most important portfolios: those of agriculture, irrigation, minor irrigation, cooperation, commerce and industry, and PWD, are held not by the majority partythe CPI(M) -but by its left front partners, and since not all the partners in the coalition agree wholeheartedly as to all the objectives of policy or the method of their attainment, there is an understandable lack of enthusiasm in regard to the shedding of departmental authority in favour of the district planning organisations, most of them controlled by the CPI(M). And it appears that, in the interest of keeping a semblance of unity (at least for the sake of appearances), this vital matter, approved by the state cabinet in 1985, is not pressed in practice.

But importantly, the lack of political will is nowhere more blatantly obvious than in the niggardly approach to the release of funds directly in favour of district planning authorities. For, in essence, power flows to where the monetary resources are held; and if a budgetary crunch were to be applied to departments in favour of larger releases to the district authorities, the officials of the former would come round to working with the latter, so as to promote their own schemes for which they may be starved of funds. That this is likely to happen was obvious during district plan discussions in 1985-86. For example, in Purulia, many engineers of the Irrigation Department proposed the completion of diverse medium irrigation projects either under NREP or RLEGP or through the release of District Plan Scheme funds, for completing earthwork required for digging irrigation channels and similar other works. Officials of other departments (e g, the PWD) have evinced keenness to co-operate and collaborate, and give of their advice and assistance freely, provided only that they were not pulled up by their departmental bosses at the headquarters. Where a large part of the project cost is for direct labour,

departmental authorities would have no genuine difficulty in working closely with the district planning authorities and the panchayats which can not only mobilise unemployed labour but also supervise its operations.

Thus, while the programme for decentralised planning commenced with a fanfare in West Bengal in 1985-86, its actual progress has been halting, mainly because of the paucity of financial resources with the state government and partly also because of some degree of lack of political will to pursue the idea single-mindedly. A very strong ray of hope in this connection arises from the interest evoked among the sabhadhipatis of zila parishads and sabhapatis of panchayat samitis. They see in the proposal for decentralised planning a means of achieving greater economic growth in their areas. Equally, the district administrative officials feel that they could begin to wield greater authority through this process, by being in the centre stage of action and of the release of funds for economic development. And to the extent that the sabhadhipatis wield some influence politically, it may not be wise to deny them. Perhaps the fact that the CPM controls all but one Zila Parishad (in Malda) may be a factor in favour of the success of decentralised planning in West Bengal, in the coming years. Planned decentralisation may yet be consistent with the principle of 'democratic centralism' which informs the basic approach of Marxist parties everywhere.

But the real potential danger in the present scheme of things arises from the need to have a DPCC over the DPC. To the extent that the DPCC is headed by a cabinet minister, and has as its members not only the members of the DPC but also the members of parliament and the members of the state legislative assembly from the district, there is some danger that local level initiative as well prioritisation of needs (and schemes to be implemented) may gradually recede into the background. This is what happened in Maharashtra and Gujarat in the seventies; the district plans drawn up by the panchayats were a great success, but they brought out signs of a shift in the centre of power and authority which even the state cabinet was not prepared to countenance. With time, therefore, the authority of the panchayats receded into the background, and the power of the bureaucracy-backed by the ministers, MPs and MLAs-increased. The planning process then came to be decentralised only in name not in substance. Much depends, therefore, on the leadership to be provided. The 1985-86 experience so far has not brought up these dangers in most districts, but they have already surfaced in one or two places, and could well emerge as a major problem affecting genuine decentralisation of initiative as well as decisionmaking. For, the fact remains, unless real power and decision making are actually handed down, it would be idle to expect the emergence of any serious initiative and genuinely broad based participation by the masses of people, in the planning process.

The third round of elections to the panchayats are due to take place later this month (on Sunday, February 28 to be precise). Reportedly, the pledge of the CPM has been to hand over greater power and authority to the panchayats. They have the Karnataka example before them. Karnataka has, without any preparation (or experience) of the type West Bengal has had over the past decade, plunged headlong into decentralisation of the administrative framework, by not only handing over large funds for decentralised plan outlay but also for running local services like education, health services, and the like, with back-up funds for the discharge of such responsibilities. Reportedly, this has also been one of the promises made for this year's elections to the panchayats; and in this background, it is surprising that those controlling finance did not come up with more massive devolution earlier, in connection with the annual plan for 1986-87 and 1987-88. Only can ony hope that the dictum 'better late than never' would apply; that the required political will would not be lacking after the elections, no matter what the results.

There can be no two arguments in regard to the worthwhileness of decentralised planning. As indicated earlier, a district is a large geographic entity, with an average population considerably more than in many countries. Problems of poverty eradication can be tackled only at the village level; local problems need local solutions; and there is a distinction between such problems and problems which need central or state level planning and action.

The most important function of district planning—in addition to focusing on local level problems—is the co-ordination of the activities of different authorities and agencies, at the district and block level, to achieve optimum results from the outlays incurred. The West Bengal intention of getting departmental plans co-ordinated and vetted by the DPCC—if implemented faithfully—should secure the required co-ordination between diverse authorities and agencies who have thus far operated independently because of their own separate chain of command.

What lies in the future? Would West Bengal really forge ahead in regard to the novel experiment of decentralised planning, wherein genuine power and authority really vest with the people? It is always difficult to make forecasts, especially where one is dealing with the most difficult of human emotions: the exercise of power and authority; the grant of patronage. But if the upcoming thrust from the local leadership is heeded (and not thwarted) by the policy makers at . Calcutta, if the election promises (during the panchayat election campaign) are kept, and more particularly, if the example of Karnataka forces West Bengal to take the plunge. the success of the experiment (in West Bengal) appears to be assured, if only judging by the quality of the local leaders and the competence with which plans for blocks and for districts were drawn up in the very first year of the experiment, namely, 1985-86.

#### NOTICE

It is hereby notified for the information of the public that The Mafatlal Fine Spinning & Manufacturing Company Limited, proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking. Brief particulars of the proposal are as under

- Name and address of the applicant: The Mafatlal Fine Spg & Mfg Co Ltd Mafatlal Centre, 7th Floor, Nariman Point, Bombay 400 021.
- 2. Capital Structure of the applicant organisation-

Particulars	Rs. in Lacs.
Authorised	2,500.00
Subscribed	1,447.80

- 3. Management structure of the applicant organisation indicating the names of the Directors including Mar-aging/Wholetime Directors and Manager, if any
  - (1) Mr. Arvind N. Mafatlal (Chairman), (2) Mr. Hrishikesh A. Mafatlal (Managing Director), (3) Mr. Miheer H. Mafatlal,
  - (4) Mr Laxmanprasad D Vasa, (5) Mr. Bipinchandra P. Patel, (6) Mr. Maitreya Harivallabhdas, (7) Mr Babubhai D. Desai,
  - (8) Mr. Yogendra C Amin, (9) Mr. Gopal S. Patel, (10) Mr. Bharat C. Gosalia (Executive Vice-President—Chemicals)
  - (11) Mr. Dinesh K Parikh (Nominee Director of ICICI Ltd.), (12) Mr Pradip N Kapadia, (13), Mr. Praful R. Amin.
- 4 Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/divison:
  The proposal relates to the establishment of a new undertaking in the name and style of Gujarat Gas Company Ltd. (Proposed) [GGCL] for installing a Gas distributing net work, in Associate Sector with Gujarat Industrial Investment Corporation Ltd., a Government of Gujarat Undertaking
- 5. Location of the new undertaking/unit/division:

The project is for installing a gas distribution net work for supply and distribution of gas in and around towns of Ankleshwar and Bharuch in the State of Gujarat

6. Capital structure of the proposed undertaking

Authorised Capital Rs 500 00 lacs Issued and Subscribed (proposed) Rs 100 00 lacs

- 7 In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate.
  - (i) Names of goods/articles

The New Undertaking contemplates the distribution of Natural Gas as Fuel

- (ii) Proposed licensed capacity. Not applicable
- (iii) Estimated annual Turnover-

(Rupees in Crores)
First Phase Rs 8.33
Final Phase Rs 12.75

8. In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income, turnover etc.

Not applicable.

9. Cost of the Project:

First Phase Rs. 500.00 lacs Final Phase (spread over a period of 4 years) Rs. 1,276.38 iacs

10. Scheme of finance, indicating the amounts to be raised from each source-

		KS. IN Iacs
	First Phase	Final Phase
Equity capital	100.00	100.00
Financial Institutions	330.60	610.60
Deposits from Domestic/Industrial/		
Commercial consumers (quasi equity)	69.40	375.61
Internal accruals (GGCL)		190.17
	500.00	1,276.38

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Dated this 22nd day of March, 1988.

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#### ECONOMIC AND POLITICAL WEEKLY

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# The Union Budget

The budget is not everything in total economic policy, but it is a tragic situation when the budget fails altogether to reflect the essential requirements of an economy seeking growth with justice and growth with stability. 699 The share of agriculture and irrigation in total plan outlay in the first four years of the Seventh Plan has been lower than provided for in the Plan. 707 The budget does not give a long-term thrust to the economy in the right direction, especially considering the major problems that have surfaced over the past few years. 711 absence of a coherent economic strategy in the budget imply a certain incapacity of the state to intervene in the economy to bolster the interests of the classes it has been representing or has the nature of the ruling coalition changed with the growing crisis in the economy? 719 The finance minister has been clever in getting the financial institutions to pay for his populisms and in choosing for tax relief the maximum number of items at the Analysis of (a) the capital outlay on minimum cost. 733 agriculture, (b) the concessions for capital and current inputs for agriculture, and (c) the social services provided to the people in the rural areas shows that the budget's claim to be farmeroriented is without any basis. 739 Droughts may or may not, but complacency is certain to kill us. In the degree of its smugness the 1988-89 budget is unparalleled. 745 statistical section on the budget. 749

#### Strikes as Lock-Outs

The peculiar course of the recent strikes in public sector engineering units and jute mills in West Bengal suggests that they may have been called to meet the needs of managements at a time when market demand was weak.

687

# Technology Policy: Missing Dimension

The present policies on technology, its import or local development, do not include studies of their social, economic, political and cultural impacts; nor any strategy to make these conform to the objective of self-reliant development. 683

#### Amending the Constitution

Colonialism is having its last laugh. The government of India loves nothing better than to flout legality. But the psyche put to shape by the British shows; by all means break the law, but do so by amending the Constitution.

#### **Economic Stock-Taking**

Two distinct strands can be discerned in the Planning Commission's mid-term appraisal of the Seventh Plan: one, an attempt to analyse our problems freely and frankly; and the other, to whitewash, to provide an apologia for the actions of the central government. 675

There is little evidence, after forty years of independence, of India getting out of the quagmire of imperialist resource-squeeze and the imported technology syndrome.

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#### Marquez's Latin America

The most remarkable achievement of the Laun American writers has been the flexibility of the creative idiom they have developed, the sheer formal energy that enables them to incorporate improbable elements of their grotesque reality into luminous wholes.

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### Pricing Medical Care in Government Hospitals

THE government of Maharashtra has introduced a fee for medical care in all district hospitals and medical college hospitals from February this year. Patients have to pay Rs 2 for an outdoor card, Rs 10 for urine, blood or sputum examination, Rs 20 for X'ray, Rs 30 for ECG, Rs 5 per day as bed charges for indoor admission and Rs 150 for a major operation. This is not a simple 'fee rise' as stated by the government because earlier there were no charges for most of the patients for any service in these institutions, except 10 paise for the OPD card. Hence all other charges are a new category of tax and the outdoor card fee has been raised by 2000 per cent.

As we see from the small district town of Gadchiroli, patient attendance in the district hospital has suddenly decreased. The middle class is turning to private practitioners while the poor patients are avoiding to go to the hospital or are refusing to get admitted or treated even when they are found to be suffering from serious diseases. "We can't pay for the treatment" is their plea. The government has announced that 40 per cent of the patients will be treated free, but this is left to the discretion of the hospital authorities. Can a civil surgeon every day decide who should be treated free from the daily crowd of 300 to 500 patients? The experience of the anti-poverty programmes suggests that the benefits selectively meant for the poor usually don't reach them. So most of the poor are not likely to receive the benefit of free service in the government hospitals.

The decision of the Maharashtra government in principle means that the state is no longer willing to shoulder the responsibility of providing free medical care to the needy as a public service. If this sets up a trend, people, especially the poor, may increasingly lose the benefits of free medical care, education or even police protection.

The two arguments often put forward in justifying the introduction of the fee structure for medical care are: (a) these hospitals are meant to be referral hospitals, but they are unnecessarily crowded by patients with minor problems who come mainly 10 get injections; and (b) the cost of medical care is increasing very fast and the government must try to make the two ends meet.

While there is some substance in both these points, the solution of charging a fee creates a still bigger problem. By charging the patients, the government has succeeded in reducing the number of patients, but not the 'unnecessary' ones. The poor anyway don't attend the hospital for minor problems because they can't afford to lose their wages. The new criterion for elimination is not the seriousness of need for medical help but the ability to pay. Now government medical care is selectively available for those who can pay and not for those who need it. This is essentially the same as private sector medical care. To crown the similarity, the proportion of 40 per cent free service offered by the government is same as that suggested by the director of Apollo Hospitals in his proposal for a new commercial hospital in New Delhi.

Gadchiroli has a small government district hospital of 30 beds. A study of the outdoor patient attendance in the district hospital done by our organisation SEARCH showed that 30 per cent of the outdoor patients were getting one or the other injection. Out of these injections, 60 per cent were found to be unnecessary just going by the categories of medicines injected. These were Terramycin, B'complex, B1B6B12, Chloroquin, Wymesone, Diazepam, etc. All these medicines are equally well absorbed when given by mouth.

After discussing these findings with the director of health services, the civil surgeon and the doctors in the hospital, it was decided that the eight unnecessary categories of medicines in injection form will not be kept in the outdoor departments and that doctors shall not prescribe unnecessary injections. Supply of these medicines in oral form and other necessary injections was ensured. These measures reduced the number of daily patients in OPD by 11 per cent from 307 to 273; the number of injections by 51 per cent from 111 to 54; the proportion of patients receiving injections from 36 per cent to 20 per cent, and the proportion of unnecessary injections from 60 per cent to 2 per cent.

If the cost of one injection is put at Rs 3 (medicine, syringes, needles, boiling, doctor's and nurse's time), net Rs 50,000 could be saved per year in a small 30-bed hospital. Moreover, the 11 per cent reduction in patients would further save the time and money of the hospital and of the patients.

Another study done by SEARCH showed the following pattern of use of antibiotics and antiparasitic agents in the patients admitted in the wards: out of all the admitted patients 16 per cent were given no antibiotic/antiparasitic medicines, 20

per cent were given these medicines for sound reasons and 64 per cent were given these medicines unnecessarily or excessively or wrongly. The urgency of the situation or lack of bacteriology facilities were responsible for such use in some cases but in the majority (two-thirds) the cause was lack of knowledge or wrong prescription habits of doctors.

This suggests that if retraining is provided to doctors to upgrade their knowledge about rational use of antibiotics or change their prescription habits, a tremendous cut can be made in the unnecessary use of costly medicines, besides saving patients from side-effects and nurses from heavy work-load. A good deal of hospital costs can be thus reduced.

The purpose of describing these studies here is to show that some of the factors responsible for increasing the cost of medical care in government hospitals can be corrected. Charging the patients for medical care and thereby depriving the poor and needy of such care is neither unavoidable nor desirable.

DR ABHAY BANG DR RANI BANG

Gadchiroli

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# Lentin Report

Last week, the Maharashtra government was more or less forced to table in the assembly the report of the now well known Lentin Commission which was set up to inquire into the circumstances of the 14 deaths at J J Hospital in Bombay in January 1986. The Lentin report is no doubt a remarkable document. But even more significant is the fact that it exists at all.

The setting up of the commission was itself a hurried attempt by the state government to pre-empt a possible Supreme Court probe which may have been instituted in response to the citizen's appeal addressed to the chief justice. Only, of course, the government could not have foretold that the judge appointed to head it would turn out to be so conscious of people's rights as to be something of an embarrassment in insisting on the proceedings of the public inquiry being open to the press and to the citizens. And then when the commission had, having painstakingly unravelled the 'fabric of lies and deceit' which it was presented as evidence, submitted a detailed report, the government did its best to keep it under the wraps. It took two legal notices and a high court order in response to a writ petition to get the report released on March 31.

In a sense, of course, the Lentin report is no more revealing or horrifying than were the daily newspaper reports of the nearly three-year long proceedings. But here we have in one consolidated 4 document the callousness and the complete lack of accountability on the part of the various officers of the departments concerned and the members of the medical profession. Of the J J Hospital dean and its superintendent, the report has this to say: "These two worthies were as negligent, inefficient, brutal, cynical and lazy in doing their duty, as they were incalculable in their capacity for shrugging off responsibility, knowing neither thought nor remorse. They are unfit to hold any post involving responsibility." Of the Foods and Drugs Administration (FDA) commissioners, the report is even more severely critical for their role in reducing the entire structure of the organisation, "at one time a prestigious body famous in all Asia", to a set-up "corroded by rampant and unabashed corruption, deleterious indiscipline... gross ministerial interference".

What stands out very clearly is this: that the 14 deaths and permanent injury to at least 34 others could have been easily avoided if only the doctors, particularly the dean and the superintendent, had taken prompt action; that a part of the reason why the obviously more concerned lower-level doctors could not take the comprehensive action necessary was the slowmoving burea ucratic machinery which did not make provisions for an emergency situation such as this; that the event may never have occurred if the proper procedures had been adhered to in the purchase of glycerol; that the product, a concoction of lethal diethylene glycol, sorbitol and just a "dash of glycerine", was never meant to be used as a drug; that the major blame for the tragedy lies with the FDA in allowing licences to be given to unscrupulous operators for the manufacture and supply of drugs; and that because of constant ministerial interference the FDA has never, in a long while, functioned as an independent,

technically competent body with a specific responsibility towards the consumers rather than the industry.

Thus the J J deaths inquiry reveals in the microcosm, in one hospital in one state, the conditions which exist in every hospital in every state to a lesser or a greater degree. Lentin has determinedly and doggedly traced where exactly the inefficiencies lie and how corrupt practices have become almost an integral part of the medical system.

Not surprisingly, the recommendations are confined to ridding the system of corruption, inefficiency, nepotism and introducing accountability and are consequently neither radical nor drastic. Some suggest actions which have been overdue—the suspensions of the concerned officers and the ACB inquiries into the activities of Bhai Sawant and Baliram Hiray. Others are directed at changes in the set-up of the FDA and the J J Hospital with a division of responsibility between two heads each.

There can be no two opinions about the urgent necessity of pressing the government to implement the recommendations. However, it is more likely to do nothing and let things quieten down. This is precisely what happened to the recommendations of the Pruthi Committee report on the J J Hospital in 1973, which, had they been implemented, might even have prevented the 1986 tragedy.

And then again, it is pertinent to ask whether even the full implementation of these recommendations would make for a health system where those who need it most can safely use it. For the basic problems which contribute to tragedies such as this are rooted in the malaise of the larger health care system including the manufacture and supply of drugs. The inefficiency of the J J Hospital system is partly due to its huge size which even so cannot handle the numbers of patients who come for treatment not just from Bombay but from outside the city as well. It shows the lack of an efficient, tiered health system—and this in a state like Maharashtra which has supposedly a better-thanaverage spread of health infrastructure. Similarly, no amount of tinkering with the FDA's structure can help it cope with the rapid growth of the drug industry and its vast range of products.

The real solutions, therefore, lie in restructuring both the health care system and restricting the proliferation of unnecessary products. But that is a different matter altogether. Even Lentin strikes a note of desperate absurdity, in seeking 'men of integrity' to head public institutions as fulcrums for the changes he proposes. For, such restructuring can hardly come about within the current political and economic framework.

In the meanwhile there is every danger that reports such as the Lentin Commission's will be seen as cure-alls. For the state, such commissions of inquiry will not only lend an air of credibility to supposedly democratic preoccupations but at the same time help to maintain the status quo. If such commissions are to serve a purpose in exposing the anti-people nature of the government, then the limitedness of their perspective needs to be firmly emphasised. It is only then that they may be used to expose the hollowness of the bourgeois state's welfare concerns.

#### **PLANNING**

#### NDC's Decline

FROM all accounts of it that have appeared so far, the meeting of the National Development Council on March 19 could not by any means be described as a great success. It was a marathon meeting, extending over almost nine hours from eleven in the morning to eight in the evening with only one break and that too of 40-45 minutes. There was virtually no discussion. It was speech-making all along, with most of the time taken by ruling party men because opposition chief ministers were stopped midstream the moment they went beyond the 10-minute limit. The prime minister, presiding over the meeting, exercised his prerogative of keeping time only when opposition spokesmen had the floor, whereas he almost went to sleep when his own partvmen were 'on their legs'. Is it a matter of much surprise if the meeting has been widely dismissed as a mere ritual, a ritual that unnecessarily further muddled waters that were anyway far from clean. Was this the sort of endorsement which the planning commission and its chairman were looking forward to for the mid-term appraisal of the Seventh Plan?

If the purpose of rationing the time for opening remarks by various participants was to have some meaningful discussion thereafter, it remained altogether unfulfilled. The reason was that the chairman was not at all serious about enforcing the time limit when it came to his own henchmen. More importantly, he had obviously not taken the trouble to identify the issues to be discussed in depth at the meeting. He could have, if he had wanted, convened a meeting of selected chief ministers and worked out an understanding on the agenda. Evidently it was not the intention to have a serious meeting of the NDC on these lines.

Of course, there were a number of issues that the NDC could have concentrated on. Only the day before, a meeting had been called to discuss the 'special action plan on agriculture' aimed at raising the output of foodgrains to 175 million tonnes by 1989-90, the final year of the Seventh Plan. Then there was the whole approach to resource mobilisation as exemplified by the 1988-89 central budget. A pretence had been kept up so far that the government sector needed to raise its own resources rather than rely upon borrowings which, if genuine, only transfer savings from other sectors of the economy to the government sector or upon deficit financing which force savings on the people and that too very regressively, particularly on those sections of the population which neither enjoy any protection (as for example government and organised sector employees do) nor have any clout of their own (as for example conferred by

the ownership of capital). But now the finance minister, N D Tiwari, does not consider it necessary to offer any apology for resorting to massive borrowing-cumdeficit financing—to the tune of almost 45 per cent of the budgeted expenditure on revenue and capital accounts taken together. Doesn't this mark a major change from the Long-Term Fiscal Policy Statement of just two years' vintage? Wasn't it the prime minister who, while presenting the budget last year, was very apologetic about proposing a deficit half the size Tiwari has left uncovered for the current year? Doesn't this mark a major shift in plan strategy?

That the latest meeting of the NDC was a disaster is no doubt a serious matter in itself. The meeting had been convened after a gap of 30 months or so. The last meeting had been no great success either. However, no lesson was evidently drawn from that failure. It should make everyone sit up that an institution like the NDC, which has all the time since its establishment been held up as a forum for centrestate and inter-state dialogue, in place of the Inter-state Council envisaged under the constitution, is proving to be so very ineffective.

The Sarkaria Commission has recommended the establishment of a separate statutory commission to deal with planning and development. Perhaps such a body with the sanction of the constitution behind it will perform better. But let us not forget that the effectiveness of any forum depends critically on what the people manning it, especially those placed in the role of its leadership, want to make of it. After all, it was none other than the NDC which had been able to hammer out a formula—the Gadgil formula, as it is commonly referred to-for the distribution of central plan assistance among the states. It is very unfortunate that no such agreement could be worked out for the distribution of plan resources between the centre and the states. This was primarily due to the centre's backtracking on the subject of the role of the so-called centrally sponsored schemes. So regardless of whether it is a statutory or a non-statutory body what seems to be called for is a genuine commitment to consultative, cooperative planning rather than planning from New Delhi. But more and more we seem to be going in just opposite direction.

#### **GUJARAT**

### Government Bows to Religious Bigotry

A correspondent writes:

THE Gujarat government has an unenviable reputation for using laws in a manner which makes a sinister mockery of the intentions of the original Act. In recent months it has, for example, used antiterrorist laws to suppress trade union activists. True to this tradition, the state government has now sanctioned the criminal prosecution under Section 295 A of the Indian Penal Code of three people who have been active in promoting a rational form of enquiry into the social conditions and history of the region, namely Makrand Mehta, Ghanshyam Shah and Achyut Yagnik. Section 295 A makes it an offence to write or say anything which is deliberately and maliciously intended to outrage the feelings of any religious group. This Act could have been used to great effect in Gujarat against the religious bigotry which has swept the state in recent years. It has not been; instead it has been turned against the very people who are fighting such bigotry. The 'crime' of these three people, it is contended, is that they were responsible for the publication in the Gujarati-language journal of the Centre for Social Studies, Surat, Arthat. an article which "is bound to be regarded by any reasonable man as grossly offensive and provocative and deliberately intended to outrage the feelings of the followers of the Swaminarayan Sampradaya". (Prosecution order of Gujarat home department of February 20, 1988.)

This action was initiated by eight members of the influential and rich Vaishnavite sect of Swaminarayan. They had been incensed by an article by Makrand Mehta published in the October-December 1986 issue of Arthat titled Sampradayik Sahitya ane Samajik Chetna: Swaminarayan Sampradayano Abhyas 1800-1840 ('Sect Literature and Social Consciousness: A Study of Swaminarayan Sect 1800-1840'). This article examined the literature of the Swaminarayan sect and argued that from a rationalist perspective and in the light of historical accounts of the sect by contemporary British and other observers, many of the more fantastic acts attributed to the founder of the sect, Sahajanand Swami, do not have any historical validity. Although from an academic point of view there would not appear to be anything very controversial in such an argument, the contemporary followers of Swaminarayan are Infuriated that the supposed divinity of Sahajanand Swami should thus be called into question. They argue in their complaint that the sect is an important one, with 15 lakh followers in India as well as in foreign countries who all believe that Sahajanand Swami is 'god'. They worship him as such in their temples. They contend that by denying the divinity of Sahajanand Swami, Makrand Mehta, as author, and Ghanshyam Shah and Achyut Yagnik, as editors and publishers of Arthat, have "outraged the religious feelings of the Swaminarayan Sampradaya and have insulted their religion and religious beliefs".

What is surprising in this case is not

that a group of religious bigots should resent having their 'god' revealed as a mortal being, but that the Gujarat government should sanction such a prosecution without making any attempt to hear both sides of the case. Under the law, no such prosecution can be sanctioned by the state unless and until it has conducted an inquiry into the merits of the case. An enquiry presupposes the hearing of the cases of both parties. As it was, no attempt was made to question the author and the editors of Arthat as to their intentions and motives. The first they heard of the case was when a warrant was issued by the government for their arrest.

If an enquiry had been conducted, the government would have discovered that Makrand Mehta is a historian of repute who has published many acclaimed books and articles on the history of Gujarat (and who is, incidentally, head of the department of history, Gujarat University, and who served as president of the Modern India Section of the last Indian History Congress). Also, that Ghanshyam Shah is a renowned political scientist who until recently was director of the Centre for Social Studies, Surat; and that Achyut Yagnik is a well known writer and social activist of Ahmedabad. These latter two are known for their opposition to the religious obscurantism and rank communalism which has swept Gujarat in recent years. In such an enquiry the government would, furthermore, have found that the article in question set off a scholarly debate in which two members of the Swaminarayan Sect took up and discussed the points raised by Makrand Mchta. These rejoinders, and a reply by Mehta, were published in the October-December 1987 issue of Arthat. In his reply, Mehta, while defending his overall argument, conceded that he had been wrong in certain particulars. In his reply he displayed a commendable openness. It is hard to see how he can thus be accused of wanting to whip up hatred in a manner deliberately malicious.

Given these facts, it is surprising that the government of Gujarat should sanction such a prosecution. The only explanation would seem to be that it is bowing in a most craven manner to a religious sect which counts among its followers certain people with a strong political clout.

# FERTILISER PRICES

# Discount for Whose Benefit?

THE finance minister while presenting the budget for 1988-89 had stated that in order to further reduce the cost of inputs, the government was asking the fertiliser companies, in both the public and private sectors, to give a discount of 7.5 per cent

over the notified price for the coming kharif and rabi sowings. In the 'ball-byball commentary' that we have on the TV these days as the budget is being presented, this is announced as 'fertiliser price reduced by 71/2 per cent'. To a pointed question on how much of the increase in fertiliser subsidy is on account of this price reduction, the chief economic adviser to the finance ministry said with almost a mischievous snigger that the minister expects the fertiliser industry to bear this cost as it is in any case already incurring heavy inventory carrying costs and the cut in price would help it to clear stocks. Fertiliser industry circles used to government support could not believe that they would have to bear the cost till they read the minister's speech where he stated clearly that the companies should be able to absorb the cost of this discount through better inventory management. The day after the budget leading representatives from the industry rose in unison to cry that the industry will go sick if it had to bear the cost of the discount. Some even threatened legal action. At the meeting of representatives of financial institutions with the finance minister, it is reported these institutions also made a plea that the industry should not be asked to bear this cost as it would adversely affect the fertiliser companies' profitability. They are said to have stressed that they had heavy investments in the fertiliser industry and they are naturally concerned. Tiwari, the seasoned politician that he is, reminded these representatives of the financial institutions that in 1986 the fertiliser companies had indulged in an unprecedented discount war when the industry had given away almost Rs 400 crore as discount, though much of this bonanza did not reach the farmer. The government had had to intervene on several occasions then to caution the industry against offering such discounts, but the industry did not pay heed till in June 1987 the government warned the fertiliser companies that the subsidies would not be released unless they maintained margins as approved under the retention pricing scheme. Price discipline was enforced in 1987 only after government actually stopped releasing subsidies to five companies. The minister said that by comparison the impact of a 7½ per cent discount would be only Rs 350 crore.

For over a week after the budget was presented, fertiliser sales practically came to a stop while lobbying continued to persuade the government to consider some modality by which the industry could be compensated for this discount. The minister in his speech had by way of an example put the effect of the discount at Rs 8.80 per bag of urea. Industry circles now wanted that this discount should be confined only to urea and not extended to complex fertilisers on the plea that the

minister could still claim to be honouring his commitment to the farmer. Another suggestion made was that the government should consider reducing the cost of inputs like naphtha/gas whose prices are controlled by the government. This would reduce the sale proceeds of IOC and ONGC by about Rs 150 crore. Relief was also sought in the revised retention prices to be announced effective from April 1.

Bureaucrats, however, once again outwitted the fertiliser manufacturers. Without announcing any formal revision of the notified consumer price of fertilisers which could have lead to some units seeking legal redressal through a stay order, the government by an unwritten fiat made all public sector companies individually announce a 7½ per cent discount on all fertilisers. The individual units made formal announcements and also gave wide publicity to these announcements through the press and started releasing their stocks in the markets. The private sector units have not yet offered any discount and are still holding to their stocks. Their silos will soon be full and production may stop. Efforts are continuing to persuade the government to give some relief. As 70 per cent of the industry is in the public sector, particularly all the larger units, the private sector cannot compete in the market unless they also reduce their prices.

In 1986 when the industry gave away about Rs 400 crore as dealer margins, in a year when the offtake was low bccause of large imported stocks and drought conditions, the companies did not fare all that badly in their financial results. So the finance minister certainly has a point. What, however, needs to be noted is that if the consumer price had been revised by a notification, the benefit would have reached the farmer. Now, as in the past, the dealers may absorb most of the discounts themselves, particualarly if the monsoon is good and the offtake improves. The beneficiary will once again be the middlemen. The middlemen are good conduits for collecting election funds and the budget being, as some believe, election-oriented, the finance minister would perhaps have achieved his objective.

#### THE ECONOMY

#### Further Import Liberalisation

THE export-import policy for 1988-91 basically extends the process of import liberalisation a step further. The list of raw materials, components, spares, consumables and capital goods allowed to be imported freely under Open General Licence (OGL) has been widened. 745 items have been included in the OGL list, 329 of which are raw materials, components and

consumables and 99 are capital goods. The latter are mainly composed of industrial machinery used in the tea, electronics and silk industries. Under the 1985-88 export-import policy, 201 items of industrial machinery were added to the list of capital goods allowed to be imported freely under OGL. These were mainly items of machinery required for oil field services, the electronics and automobile industries, jute manufacture, garment making and hosiery and leather manufactures. Another important aspect of the policy is to enlarge the inflow of imports which are formally linked to exports, the so-called import replenishment scheme for registered exporters. The 1988-91 policy allows large established exporters to import capital goods irrespective of whether these are available indigenously. Further, almost all exports are now provided the facility of import replenishment.

Three basic issues related to the pattern of industrial development arise. Firstly, due to the limited size of the market and the problems of transfer of technology the Indian bourgeoisie seems to have accepted that there are definite limits to the process of import substitution of capital goods. The long-run decline of capital goods industries is seen as inevitable so that any significant fresh investment in the capital goods sector is unlikely to be forthcoming. Secondly, a wide range of Indian exports including traditional manufactures like textiles, leather and jute, primary commodities like tea and non-traditional exports like engineering goods are facing stiff international competition and liberal imports of capital goods and technology are viewed as the means to enable Indian exporters to compete more effectively in world markets. Hence the policy of import-intensive export promotion. Thirdly, the domestic market for consumer durables is being exploited by the Indian bourgeoisie based on a grossly unequal international division of labour wherein the capital goods and CKD/SKD components are imported for assembly into finished goods. This shortsighted strategy is highly circumscribed and cannot take the country very far.

#### **BUSINESS**

# STOCK MARKET Rule of 'Casino Mentality'

NEVER before has the outcome of an election to the governing body of the Bombay stock exchange been the subject of such animated discussion among the stock exchange fraternity as that of the one held on March 30. It is not just that the outgoing president Mahendra Kampani lost the election—only the second such instance in the long history of the exchange. The ouster of Kampani as also of the treasurer H K Shah and a few other colleagues is said to be the handiwork of a powerful 'syndicate' of speculator brokers. The members of the 'syndicate' have been known to indulge in all kinds of malpractices in utter disregard of the discipline enjoined by the market authorities and getting away with it almost with impunity. This is a measure of the influence they have wielded with the board. Their greater hold on the board following. the induction of their nominees can have sinister implications. Some of the brokers who have been elected are reported to have been fined in the past on one count or another.

Reports are that the 'syndicate' has been playing hell with the market since long, setting at nought government efforts to check the declining trend in equity prices through institutional support and thereby help revive investor confidence. It is said

that a thorough probe into the stock exchange deals before the imposition of the ban on forward trading, during the ban period and after the implementation of the Dave Committee's phase one permitting forward deals in specified scrips without any carryforward facility could prove to be quite revealing and it would help unravel the grand design behind the deepening crisis of confidence in the cult of equity. The ouster of Kampani along with some of the other directors is interpreted as a vote of no confidence in those who were disposed to toe the official line in regard to restrictions on trading in specified shares with inevitable adverse impact on the fortunes of the stockbroking community which thrives essentially on speculative activity.

How the 'syndicate' which will now have a much greater say in the affairs of the governing body will exploit the market remains to be seen. Much would depend on the emerging market scene as also on how the executive director of the stock exchange and the union finance ministry go about enforcing discipline and bringing to book members found guilty of flouting the prescribed code of conduct. The risk of confrontation with the government has certainly increased. This is because the present state of the stock/capital markets does not seem to permit the kind of operational freedom which would satisfy the stockbroking community engaged primarily in trading in price fluctuations.

Great significance attaches to the goings-on in the Bombay stock exchange—the premier exchange accounting for nearly two-thirds of the total business in all the stock exchanges in the country. At the end of 1986, the capital listed on the Bombay stock exchange accounted for 70 per cent of the capital listed all over the country while in terms of market capitalisation Bombay's share was around 80 per cent. In terms of the total number of stock issues, Bombay ranks first though in terms of number of companies listed it occupies second place after Calcutta.

It is no secret that it was under mounting pressure from the Bomb ay stockbroking community which had held out the threat of an indefinite strike that the government decided, much against the advice of the financial institutions, to go ahead with the implementation of the second phase of Dave Committee's recommendation allowing limited carryforward facility with effect from the fortnlghtly settlement beginning with March 11. And it is not just a coincidence that March 11 marked the end of the post-budget rally and the resumption of the declining trend under persistent bear pressure. The Bombay stock exchange sensitive index registered a new low in the major downward move. The equity price indices compiled by the Economic Times also established new lows for Bombay, Calcutta and all-India. The Financial Express indices, however, have still to pierce their previous lows recorded on December 10.

That the market should have staged a sharp retreat despite very substantial support from the financial institutions, especially UT1, is a measure of the bear onslaught in the wake of further liberalisation of trading facilities, effective March 11. The renewed sharp decline in specified scrips is reported to have induced a considerable amount of disinvestment selling by investors. The stock exchange authorities as also the union finance ministry are reported to be deeply exercised over the deepening depression in the secondary market mainly because of its repercussions on the primary (capital) market where even prestigious projects are encountering considerable difficulty in securing satisfactory public response. Whether the government will intervene in the market and reimpose the ban on short sales remains to be seen.

Much has been said about the role of speculation in imparting liquidity to the market and narrowing down the spread between the prices quoted by buyers and sellers. The Dave Committee had lamented the restrictions on trading in specified shares and justified the need for gradual relaxation of curbs "primarily for protecting investors' interest, reviving their con-

fidence and strengthening the primary market from which large resources can be raised". The committee talked of the umbilical link between the primary and secondary markets in securities through which the corporate sector raises funds.

Trading in specified shares is at present conducted at the four major stock exchanges of Bombay, Calcutta, Delhi and Ahmedabad which have 70, 51, 32, and 18 shares, respectively, in this group. Eliminating the common scrips, the total number of shares involved is 122 out of about 7,500 stock issues of over 5,000 companies listed on these exchanges. About 75 per cent of the turnover on these exchanges is accounted for by the specified shares. It is very pertinent to ask how liquidity in 122 scrips in the specified list is really relevant to the rest of the shares. It might come as a surprise to many that nearly two-thirds of the total turnover on the stock exchanges is accounted for by hardly one per cent of the listed equities. In 1986, about 60 per cent of the total turnover on the Bombay stock exchange was accounted for by just 10 active scrips. Little wonder that N K Sengupta, former controller of capital issues, should have made pointed reference, at the recent seminar on the capital market organised by the Capital Foundation Society, to the 'casino mentality' pervading the stock/ capital markets in the country. Unchecked speculation was mentioned as the root cause of the present state of the capital market.

It may be of some interest to make a brief mention about the assessment of the outlook for equities by some of the financial experts from time to time. Some nine months ago-in July 1987-the UTI chief Pherwani stated in Calcutta that the 'crisis of confidence' highlighted by the media was an imaginary crisis created by market circles and others. Two months later the IDBI chairman said that he was optimistic about capital market getting a big boost in the fiscal year 1987-88. And in December, the RBI governor stated that the current trends on the stock market were 'quite peculiar' and 'out of tune with the actual situation'. One really wonders whether these gentlemen were expressing their own independent views or were simply speaking on behalf of the government. The continuing drift in equity prices has proved all these 'experts' to be wrong, for the present in any case.

One can certainly take the view that neither the volume of speculative activity nor the consequent changes in equity prices need to be viewed with concern so long as speculators strictly adhere to the rules of the game and the solvency and liquidity of the market are not threatened in any way. To say that prices must reflect

the changing demand-supply scenario is to state the obvious. But free interplay of market forces acquires an altogether new dimension when speculative elements dominate demand and supply. Unquestionably, the slide in equity prices reflects in no small measure the continuing excess of speculative supply over speculative demand as well as investment demand from financial institutions. Never before have financial institutions been known to have effected such massive purchases of shares from the market as they have done over the past several months. Going by market reports, purchases by the UTI during 1987-88 (July-June) are likely to far exceed the previous year's figure of Rs 247 crore which itself constituted 66.6 per cent of the trust's total investment in equity shares till the end of June 1986.

It is indeed surprising that the government which keeps sounding the financial institutions to support the market to help revive investors' confidence should allow creation of speculative supply by permitting 'short' sales, margins on bears notwithstanding. There also seems little justification for jobbing by the mutual funds promoted by the two nationalised banks-SBI and Canara Bank-to avail of the rise in prices induced by UT1 purchases which happen to be largely in the nature of support operation. There is much to said for interaction by different institutions on the basis of their varying assessment of the market trends as that makes for liquidity and it has also a chastening effect on prices. But there is a vast difference between the UTI investing its funds in shares entirely on its own and effecting purchases to lend support to the market at government instance. The government will be well advised to take note of this apparently anomalous situation and sound financial institutions not to play against one another when it is striving hard to nurse the market.

The rally from the March low has not made any significant impact on the overall market sentiment. The prevailing mood is one of utter despondency which contrasts sharply with the bullish mania that had firmly seized the market during the 1985-86 unprecedented boom. Shares which were avidly sought at fancy prices then are simply unsaleable now even at throwaway prices. Investors who used to jump at almost every new issue without even a cursory glance at the prospectus are now extremely reluctant to Invest even in really good issues promoted by managements with a proven track record. Massive purchases by the financial institutions have resulted in significant shrinkage of floating stocks of a large number of scrips. Even so, investor confidence remains at a low ebb.

#### TWENTY YEARS AGO

EPW, April 6 and April 13, 1968

The candidates in the American presidential election can do worse than regard the plight of Lyndon Johnson as the plight of the United States of America. Indeed his decision to drop out of the race is not only a measure of the colossal failures of his personal style but also an indicator of the deep crisis in which the whole American society finds itself today... The crisis of America is the crisis of a power which had overestimated its capacities, underestimated the will of its opponents, built up a highly exaggerated image of its role and believed in its manifest destiny to build a world order on the basis of a pre-conceived model.. It is necessary for all nations directly or indirectly affected by shifts in American policy to watch the next few months' developments with care... not so much the nations of other continents as those in Asia... Before withdrawing from Asia, the US will seek to create a new pattern for this continent and credulous Asian nations may be persuaded to believe that therein lies their interest.

For the first time, import policy is being used to achieve a positive objective of planning, namely improvement of export earnings. Till recently the main objective of import policy was to ration ont scarce foreign exchange; it had little positive content... After devaluation, some concept of priorities was applied, but the list... was so widely defined... as to cover almost 75 per cent of industrial output. Availability of non-project aid combined with the reduced demand for imports following the recession led to the liberal issue of licences for import, ... Import lists have now been pruned, and some direction has been imparted to import policy.

It is not clear what the chief of the naval staff meant when he said that India had a major role to play in the Indian Ocean region but the statement has already been given the worst possible interpretation by Pakistani propagandists and the British press... bour Russian submarines are the only naval craft India is going to have... Pakistan which was given one submarine by the United States ... is going to get three from France... Whether there is a well-thought-ont plan behind this or not, a naval arms balance between India and Pakistan appears to be in the offing.

A correspondent writes:

The (planning) commission has certainly gone through bad times. Its targets have gone wrong, its own organisation has not been found up to the tasks required of it. To some extent this is attributable to inadequate direction at the top. Its first deputy chairman was a superannuated administrator and the last one was a pseudoeconomist politician. Now, however, for the first time the planning commission has as its head a widely respected economist whose faith in planning is well tempered with clear understanding of its limitations. He has kept clear of futile controversies like those on the size of the plan. He has also made the planning commission shed some of the useless functions it had gathered during its empire building phase.

STATISTICS									
					Varia	tion (per	cent)		
Index Numbers of Wholesale Prices (1970-71 = 100)	Weight	Latest Week (12-3-88)	Over ·Last Month	Over Last Year	Over March 28, 1987	In 86-87 + •	ln 85-86 † †	In 84-85	1n 83-84
All Commodities Primary Articles Food Articles	1000 417 298	415.0 390.4 374.2	-0.2 0.4	9.7 12.6 10.3	9.8 12.5 9.6	4.8 5.7 7.2	5.8 2.1 7.9	7.1 4.8 6.4	9.5 11.0 13.5
Non-food Articles Fuel, Power, Light and Lubricants Manufactured Products	106 85 499	396.5 667.6 392.7	1.9 0.4	22.2 6.6 8.3	24.0 6.6 8.4	6.7 6.7 4.7	-10.3 11.9 7.2	-2.3 2.6 6.0	15.1 7.6 8.7
	4,,				Varia	tion (per		0.0	
Cost of Living Index	Base	Latest Month	Over Last Month	Over Last Year	Over March 1987	1n 86-87	1n 85-86	ln 84-85	1n 83-84
For Urban Non-Manual Employees 1984 For Agricultural Labourers Ju	50 = 100 1-85 - 100 1ly 60 to 1:61 = 100	753 <sup>1</sup> 128 <sup>12</sup> 657 <sup>1</sup>	0.1	9.5 9.4 14.7	9.8 9.4 14.7	8.7 7.3 4.8	6.5 7.9 4.8	6.4 8.1 0.2	12.6 10.3 11.4
Manage and Booking		Latert	<u> </u>		Over	per cent n	1 brackets)		************
Money and Banking	Unit	Latest Week (11-3-1988)	Over Last Month	Over Last Year	March 27, 1987	In 86-87 * *	In 85-86 ' '	In 84-85	In 83-84
Money Supply (M <sub>3</sub> )	Rs crore	1,61,506	741 (0 5)	21,405 (15.3)	20,873 (14.8)	21,627 (18.3)	14,423 (13.9)	16,058 (18.7)	13,031 (17.9)
Net Bank Credit to Government Sector Bank Credit to Commercial Sector Net Foreign Exch Assets of Banking Sector Deposit of Scheduled Commercial Banks	Rs crore Rs crore Rs crore Rs crorc	5,063	414 967 712 - 103	12,096 10,989 634 15,167	12,894 9,754 338 14,356	12,822 10,576 1,251 16,723	6,555 10,963 13 13,160	8,445 10,809 1,419 11,519	5,757 8,830 - 104 8,550
Foreign Exchange Assets**	Rs crore	6,803	(0.1) 610	(14.9) 519	(14.0) 815	(19.6) 604	(18.2) 197	(19.0) 1,319	(16.4) 1,233
Index Numbers of Industrial Production	Weights	1.atest Month	Avera Mon			(8.6) Vari	(0.8) ation (per o	(24.0)	(28.9)
(1970 = 100)		WOM	1986	1985	In 1986 * *	In 1985 † †	In 1984	In 1983	1n 1982
General Index Basic Industries Capital Goods Industries Intermediate Goods Industries Consumer Goods Industries Durable Goods Non-Durable Goods	100.00 33.23 14.98 21.33 30.46 3.81 26.65	222.0 <sup>10</sup> 288.7 <sup>10</sup> 235.1 <sup>10</sup> 187.1 <sup>10</sup> 174.4 <sup>10</sup> 303.1 <sup>10</sup> 156.0 <sup>10</sup>	217.5 272.6 231.0 187.7 173.1 286.7 156.9	204 4 250.9 224.1 179.2 161.9 246.3 150.1	6.1 7.7 2.4 6.0 5.3 14.0 3.4	6.4 8.7 3.1 4.7 6.9 17.4 4.5	6.6 10.8 6.6 6.1 2.6 17.8 0.2	4.2 5.5 5.3 6.8 0.6 1.0 0.5	4.5 8.0 -0.9 1.9 5.8 3.6 6.5
Foreign Trade	Unit	Latest	Cumula	ive for*					
		Month (Jan 88)	1987-88	1986-87	1986-87	1985-86	1984-85	1983-84	1982-83
Exports	Rs crore	1,368	12,603	10,109	12,550 (14.0)	11,012 (- 7.1)	11,855 (20.0)	9,872 (10.8)	8,908 (14.2)
Imports	Rs crore	1,753	18,029	16,401	20,063	19,766 (15.1)	17,173 (8.9)	15,763 (9.8)	14,356 (5.0)
Balance of Trade	Rs crore	- 385	- 5,426	6,292	- 7,513	~ 8,754	-5,318	- 5,891	- 5,448
Employment Exchange Statistics	Unit	Latest Month	Cumula 1987	1986	1986	1985	1984	1983	1982
Number of Applicants on Live Registers	Thousand	(July 87) 27,259	27,259	28,442	30,131	26,270	24,861	23,034	19,753
(as at end of period) Number of Registrations	Thousand		3,091	3,170	(10.9) 5,473	(6.0) 5,824	(7.9) 6,220	(16.6) 6,756	(10.7) 5,862
Number of Vacancies Notified	Thousand	56	373	354	(-6.0) 616 (~10.0)	(··6.4) 683 (-3.4)	(-8.0) 707 (-15.5)	(15.3) 827 (0.9)	(6.6) 820 (-8.4)
Number of Placements	Thousand	35	215	216	356 (-8.2)	388 (-4.7)	407 ( - 16.3)	486 (2.5)	474 (-6.1)
Income	Unit	1986-87**	1985-86 • •	1984-85 <sup>4</sup>			•	1980-81	1979-80*
Gross Domestic Product (current prices) Gross Domestic Product (1980-81 prices) Per Capita Income (1980-81 prices)	Rs crore Rs crore Rupees	2,60,584 1,62,326 2,975	2,33,305 1,56,083 2,721	1,90,888 61,838 775	1,72,704 59,541 764	1,45,961 55,068 721	1,30,770 53,470 720	1,22,226 1,22,226 1,627	95,358 47,191 664

<sup>\*</sup> For current year upto latest month for which data are available and for corresponding period of last year.

\*\* Excluding gold and SDRs.

+ Upto latest month for which data are available.

+ Provisional dala.

@ Relate to 1970-71 prices.

Notes: (1) Superscript numeral denotes month to which figure relates, e.g., superscript indicates that the figure is for January and so on.

(2) Figures in brackets denote percentage variation over previous period.

MRF

### Flying High

MRF has fared very well during 1986-87 with a gross profit of Rs 20.80 crore against Rs 9.17 crore in the previous year following increase in sales from Rs 190.68 crore to Rs 237.05 crore. These figures reflect substantial widening of profit margins. Although necessary provisions have taken away more, net profit has expanded from Rs 2.85 crore to Rs 10.09 crore. Dividend has been stepped up from 25 per cent to 40 per cent and the enhanced distribution is covered 6.55 times by earnings as against 2.97 times previously. This outcome has occurred in spite of labour unrest in the Goa plant for over seven months. The loss in production due to stoppage of work was partly made up by increased production and capacity utilisation in other manufacturing units. Industrial relations in the other three units have been cordial throughout the year. The company's exports amounted to Rs 19.70 crore (Rs 13.95 crore). The work of modernisation of existing machines and process is well under way in all the four manufacturing units.

The company's negotiations with B F Goodrich Tyre Company, USA, for launching a joint venture project for renewal and servicing of aircraft tyres and also for manufacture of aircraft tyres as a division of the company are in progress. Necessary applications to government for sanction of industrial licence, MRTP clearance, etc. are being processed. According to the initial market survey conducted on the scope of this new project, the results are encouraging. Besides this, the company is also looking for diversification in various other areas. The production for the first four months during the current year is at Rs 134 crore as against Rs 64 crore for the corresponding period of last year. During the year, sales for the first four months stood at Rs 121 erore as against Rs 68 crore for the corresponding period of last year. The directors, however, point out that the latter half of the financial year is expected to be more difficult as a result of overproduction by all tyre manufacturers and steep increase in raw material prices.

SHREE SYNTHETICS

#### Low Offtake

SHREE SYNTHETICS has suffered a sharp set-back in its performance during 1986-87 with a trading loss of Rs 1.64 crore against a gross profit of Rs 6.45 crore in the previous year following decline in sales from Rs 53.95 crore to Rs 40.03 crore. After depreciation, there is a net loss of Rs 6.07 crore against a net profit of Rs 2.17 crore. Dividend, paid at 10 per cent last year, has been passed over. Production of nylon filament yarn was 2,878 tons and of polyester filament yarn 3,428 tons compared to 3,582 tons and 4,224 tons, respectively, in the previous year. Temporary closure of the plant from July 25 to October 11, 1986 due to workers' agitation resulted in lower production. Sale of nylon filament varn was 2,472 tons and of polyester filament yarn 3,574 tons compared to 3,755 tons and 4,035 tons, respectively, in the previous

The directors say the synthetic filament varn industry witnessed tremendous pressure on margins and there were uncompensated increases in the cost of production last year. The situation further worsened due to government's policy of allowing free imports of synthetic yarns at low prices. All possible steps are being taken to improve production and product mix. At the same time, cost reduction measures are being taken at various stages of operations to improve the working of the company. The year 1987-88 has commenced on a positive note and there is overall improvement in production, sales and profitability. The company has received a letter of intent for the expansion of polyester filament yarn capacity up to 15,000 tons per annum. Efforts are being made for its implementation. The company has also commissioned a wellequipped dye house with the latest technology.

The Week's Companies

(Rs Lakh)

		M	RF	Shree Sy	nthetics	Shri Rar	n Fibres
		Latest Year 30-9-87	Last Year 30 9 86	Latest Year 30-6-87	1 ası Year 10-6-86	Latest Year 10-9-87	1.ast Year 30-9-86
Paid-up Capital		386	386	\$62	562	1074	651
Reserves		2330	1475	1036	1642	5203	4611
Borrowings		5198	3667	3444	2934	2881	3840
of which Term Borro	wings	2010	1982	1334	1235	2280	1850
Gross fixed assets		6177	4702	5528	5261	9038	8822
Net fixed assets		3349	2233	3007	2847	6242	6464
Investments		24	6	13	13	447	611
Current liabilities		5778	5190	905	1232	2487	2091
Current assets		10650	8810	2927	3501	4370	3236
Stocks		3870	4446	1755	1740	950	1191
Book debts		3228	2496	577	1233	1614	942
Net sales		237(15	19068	4003	5395	7483	5758
Other income		88	115	28	140	169	244
Raw material costs		15642	12869	2317	2865	3459	2574
Wages		1353	1306	398	328	642	530
Interesi		709	700	456	437	653	478
Gross profit (+)/loss (	-)	2080	917	- 164	645	723	673
Depreciation provision	•	514	317	443	392	417	372
Tax Provision		557	315		36	25	
Nei profit (+)/loss(-)		1009	285	-607	217	281	301
Investment allowance re	escrve		13(1		14	9	115
Transfer to reserves Dividend		855	59		142	131	7t
Amount	Р		_		5	5	5
··········	Ē	154	96		56	136	110
Rate (per cent)	P				9.50	13.50	13.50
ate (per cents)	Ē	40	25		10	18	18.50
Cover (times)		6.55	2.97	<u></u>	3.80	2.03	3.69
Ratios (per cent)		0.55	4.71			2.05	3.07
Gross profit/sales		8.77	4.81		11.76	9.66	11.68
Net profit/capital empl	oved	37.14	15.31		9.84	8.40	14.50
Inventories/sales	ojtu	16.32	<sup>13.31</sup>	43.84	32.25	12.69	20.68
Wages/sales		5.71	6.85	9.94	6.08	8.58	9.21

#### SHREE RAM FIBRES

#### Stress on R and D

SHRI RAM FIBRES has been able to step up its turnover from previous year's Rs 57.58 crore to Rs 74.83 crore in 1986-87 but gross profit has looked up rather modestly from Rs 6.73 crore to Rs 7.23 crore. Net profit has turned out to be lower at Rs 2.81 crore (Rs 3.01 crore). Margins have been squeezed by the rise in the cost of raw materials, fall in the value of rupee against major foreign currencies and the cascading effect of the ad valorem based import duty. These could only be partially offset by higher than normal supplies of caprolactum by foreign suppliers prior to steep increase and some increase in tyrecord prices in the latter half of the year. In technical collaboration with Allied Corporation. USA, the company is setting up a new project in Rajasthan for the manufacture of fluoro-carbon refrigerant gases. All necessary approvals have been received. The project is likely to go on stream in early 1989. The company's thrust in developing new products in its R and D centre is continuing with encouraging results. The company has received necessary letter of intent for one of the successful developments, a specialised leather chemical which it has started marketing in the current year.

**BANK OF MADURAL** 

### Efficient Funds Management

BANK OF MADURAl achieved a sharp acceleration in the rate of growth of its deposits in 1987. Compared to a growth of 9.1 per cent in 1986, the bank's deposits expanded by 14.6 per cent in 1987. At the end of 1987 the bank's deposits, excluding inter-bank deposits, stood at Rs 254.57 crore. On the other hand, the bank's advances which were Rs 164.22 crore at the end of the year, rose at a much lower rate of 4.3 per cent during the year. This

reflects the impact of the tight credit policy pursued by the Reserve Bank in the form of enhanced statutory liquidity ratio and cash reserve ratio.

However, despite the subdued expansion of lending, Bank of Madurai was able to achieve an impressive rise in its net profit in 1987, to Rs 102.49 lakh from Rs 70.25 lakh in 1986. The bank's chairman, S V Shanmugavadivelu, has attributed this to the excellent management of funds by the bank. The bank was able to bring down its ratio of idle assets to total assets to 1.5 per cent in 1987. This is claimed to be the lowest in the entire banking industry. Similarly, the bank was also able to achieve in 1987 an average return of 10.28 per cent on its investments in government securities. This rate again is among the best in the banking industry.

Bank of Madurai, which had 245 branches at the end of 1987, has prepared a long-range business plan which envisages a 19.5 per cent annual growth in deposits over the next three years, so that the bank's deposits at the end of 1990 will go up to Rs 453 crore.

HOC

### **Product Diversification**

HINDUSTAN ORGANIC CHEMICALS ITD a government of India enterprise, has done extremely well during 1987-88. There has taken place increase in production from 1.35 lakh tonnes in 1986-87 to 1.47 lakh tonnes, sales from Rs 85 crore to Rs 125 crore, exports from Rs 453 lakh to Rs 650 lakh and operating profit (before depreciation and interest) from Rs 20.51 crore to Rs 25.67 crore during the year ended March 1988. The company pro-

poses to establish a complex for producing 10,000 tonnes per annum of diphenyl methane di-isocynate and 10,000 per annum of rigid polyurethanes. It has also plans to set up a new formaldehyde plant of 30,000 tonnes per annum as a part of its diversification programme. It will also set up in collaboration with GIIC a plant for the manufacture of 15,000 tonnes per annum of cyclohexanone/cyclohexanol. It intends to create facilities for isostatic moulding and paste extrusion at cost of Rs 2.50 crore in the current year.

According to H Krishnamurty, chairman and managing director, the Cochin phenol project achieved 110 per cent capacity during the guarantee runs. HOC's subsidiary, Hindustan Fluorocarbons Limited, commissioned its PTFE plant at Medak in Andhra Pradesh with an installed capacity of 500 tonnes per annum. Products such as meta amino phenol, nitrobenzene, nitrotoluenes were exported with value additions. Also its products worth Rs 3.75 crore were supplied at concessional prices to the domestic parties for conversion and export. Foreign exchange to the tune of Rs 20 crore was earned on this count.

IN THE CAPITAL MARKET

### **Gujarat Cycles**

GUJARAT CYCLES, a joint sector venture, promoted by the Gujarat Industrial Investment Corporation and the Hero Cycles Private Limited, is entering the capital market on April 19 with a public issue of 34,54,500 equity shares of Rs 10 each for cash at par. Of this, 13,40,000 and 3,52,000 equity shares have been earmarked for preferential allotment to NRIs and among the employees of the company and of the promoter companies respectively. The proceeds of the issue are intended to meet a part of the cost of its Rs 20.85 crore project at Waghodia in Baroda district for the manufacture of 1.2 million multi-range, hi-tech bicycles per annum. Both the promoters will subscribe up to 51 per cent of the total equity (25 per cent by Hero Cycles and 26 per cent by GIIC). According to Brijmohan Lall Munjal, chairman of the Hero group, the company expects to register a turnover of about Rs 20 crore during the year ending June 1989 yielding a gross profit (after interest and before depreciation) of Rs 54 lakh. During 1989-90 the turnover and the gross profit are expected to go up to Rs 40 crore and Rs 3.2 crore fespectively, rising to Rs 99 crore and Rs 12 crore in the fifth year at 100 per cent capacity utilisation. Commercial production is scheduled to start by April 13.

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# The Plan versus Departmental Prerogatives

Arun Ghosh

The mid-term appraisal of the Seventh Five-Year Plan has two distinct streams of analysis running through it: one, an attempt to analyse and to discuss our problems freely and frankly; and the other, to whitewash, to provide an apologia for the actions of the central government, to promote the whims of the central political leadership.

THE planning commission is reported to have been described some time back by its own exalted chief as a pack of jokers. Over the years, there has, of course, been a visible dichotomy between the plan programme and the action taken by diverse departments of the government, supposed to implement the plan. Latterly, the plan programme itself has come to be modified so as to reflect administrative (instead of planning) priorities. And the planning commission has, for quite some time, been known to bend itself backwards so as to incorporate within the plan the ad hoc flashes of inspiration that appear to suffuse the thinking of whoever happens to be the head of government. (In a sense these are flashes of inspiration in that the new programmes suddenly dreamt up are essentially designed to get the maximum propaganda mileage.)

In this background, the mid-term appraisal of the plan assumes a somewhat interesting role. The latest mid-term appraisal of the Seventh Plan, presented to the National Development Council recently, is, however, interesting in more ways than one. One has of late come to expect blind sycophancy from all those who occupy positions of authority and privilege in the central government. Instead, the latest mid-term appraisal shows, at least in part, that there are still some people left in the establishment who are capable of independent, cogent and coherent thinking. The pack of jokers, it turns out, has a few aces disguised as jokers.

The mid-term appraisal, unfortunately, may not get to be widely circulated. (That is somehow true of most government reports; scholars outside Delhi get to read only garbled summaries that appear in the press.) That is a pity. It is a greater pity that the NDC did not have sufficient time for the chief ministers to really discuss the issues raised in the mid-term appraisal. It is reported that the chairman of the meeting started showing his impatience after anybody had spoken for ten minutes, a fact to which N T Rama Rao, the chief minister of Andhra Pradesh, has given public expres-

sion. (But then, NTR should know better. Over the years, the NDC has come to be treated only as a body meant to rubber stamp whatever ideas the chairman puts forward. All discussion is in any case irrelevant, for all decisions have already been taken.)

Given the possibility that the mid-term appraisal document may not get to be seen by many scholars outside Delhi, let me give some quotations, some of them extensive, from the document under reference. That may reduce the need for any commentary, because the mid-term appraisal is quite candid (even though in guarded language) about many of the recent developments in the economy.

First, in regard to the financing of domestic investment through domestic saving, this is what the mid-term appraisal has to say:

The future is less encouraging with regard to the financing of domestic investment. Domestic savings over the five-year period could fall short of the original target by about 4.4 per cent...

The shortfall in the domestic savings rate is mainly due to the inadequate savings generated by the public sector... A measure of restraint on private and public consumption expenditure is very necessary if the domestic savings are to be raised to the level required... (emphasis added).

Notice the focus on restraint on private and public consumption expenditure. As to the former, even as of now, some members of the government and of the planning commission have been extolling the virtues of the veritable explosion in elitist consumer expenditure (that has been witnessed for some time) in providing a new thrust to industrial growth. Also, though expressed mildly, the mid-term appraisal is clearly concerned about the mounting unproductive government revenue expenditure under a few selected heads, to wit defence, subsidies and interest payments:

Three items of non-plan expenditure, defence, interest on public debt and the food and fertiliser subsidies amounted to 74 per cent of the revenue receipts of the centre in

the 1987-88 budget. All three items are also growing rapidly... debt interest is relatively inflexible in the short run and the restraint has to fall on the other two major components of non-plan expenditure. Even with regard to debt Interest, future problems can be mitigated by avoiding the use of borrowed resources for non-revenue earning activities.

Without explicitly saying that the government should raise more resources through taxation, as also cut down on unproductive current expenditure (or at least freeze it), the mid-term appraisal has essentially spelled a warning against increases in government cosumption expenditure and against reliance on borrowing to meet such expenditure.

On the balance of payments problem, this is what the mid-term appraisal has to say:

Possible savings in the import bill (largely because of the plummeting (sic) of international oil prices and sizeable declines in prices of fertilisers and edible oils) and continued export growth notwithstanding, the trade deficit in 1987-88 could widen and, despite relative stability of net invisibles, the deficit on current account relative to GDP would continue to exceed the plan target of 1.6 per cent.

Further, the

problem. [is] one of effectively restraining the growth of demand for imports... without affecting production or the savings rate. Apart from... demand management (through fiscal, monetary and credit policies), import growth can be managed through measures to discourage consumption of non-essential import intensive end products... the demand for motor spirit, in particular, is increasing exceptionally fast... implementation of phased manufacturing programmes as planned [is also called for ] (emphasis added).

Again, on this topic, in connection with the review of energy policy, the mid-term appraisal says:

A greater and renewed emphasis on upgrading and expanding public transport systems in urban areas is urgently called for to contain the use of personalised transport.

It is difficult to distinguish the above policy approach (of the planning commission) from the recommendations of scholars and commentators outside government. And yet what is the actual policy pursued by the different departments of the government? Large fiscal concessions in favour of the Maruti car; inept handling of the DTC strike, thereby forcing office-goers to go in for their own personalised transport.

But I am anticipating. Before we get on to sectoral issues, let me go back to the broad question of employment and of rural development. The mid-term appraisal draws attention to the unpleasant (and little known) fact that the birth rate in India has not fallen as per earlier expectations, and

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that in consequence, the actual growth of the population over 1981-85 has been at the rate of 2.22 per cent per annum (as against 2.1 per cent per annum assumed earlier). This means that apart from having a slightly larger population today than indicated in official statistics, the population of India by the turn of the century would be some 36 million higher than currently assumed, the number of children of school going age higher by 15 million, and the work force higher by 4 million than currently projected. (The population of India may now be expected to cross the one billion mark by 2000 AD). This merely adds urgency to the problems of employment and of education over the longer term. In the short term, the importance of a massive thrust for poverty alleviation and rural employment programmes is called for.

And yet, the 1988-89 budget provides for only Rs 1,606 crore under IRDP, NREP, RLEGP (taken together) as against Rs 1,632 crore provided in 1987-88 (revised estimates).

The mid-term appraisal notes the changes in the pattern of landholding in the rural areas. The "proportion of landless has increased from 9.6 per cent in 1971 to 11.3 per cent in 1981. There has been a decline in the self-employed relative to casual labour... The increase in the incidence of casual wage labour... reflect[s] an inevitable phenomenon accompanying decline in average size of holdings per household." The mid-term appraisal cites certain studies (cf A Vaidyanathan) pointing to increased nonagricultural employment in rural areas, but rightly casts some doubt as to the universality of such development:

The spread of commercialisation and greater agricultural prosperity have led to the expansion of non-agricultural activities... At the same time, the possibility of a 'push' of agricultural workers into non-agricultural activities, even with low productivity and incomes, due to declining trends of labour absorption in agriculture cannot be ruled out... it is likely that both trends are at work in the different regions of the economy...

Some recent studies suggest that technological changes have led to increasing... cropping intensities, but... these have also been labour displacing... mostly observed in states like Punjab, Haryana, Uttar Pradesh, Tamil Nadu, Rajasthan and Madhya Pradesh.

The problem of rural employment, in short, continues to be acute with no early solution in sight.

The mid-term appraisal goes on to say that the "land reforms programmes need to be given very high priority..." This, of course, is a hardy, indeed perennial, homily paid by the centre to the cause of land reform; the state governments are always to blame. What the mld-term appraisal fails to observe is that it is mainly the Congress(I) ruled states that have been most tardy in implementing land reform.

The mid-term appraisal also says: "In the implementation of programmes like the IRDP, NREP and RLEGP the emerging trends in the structures of activities and labour force... need to be kept in view." Further, the document talks of "decentralised planning at the district level so as to bring about greater co-ordination in different sectoral projects" as well as "greater involvement of voluntary agencies, people's representatives and organisations of beneficiaries?" Understandably, the mid-term appraisal does not spell out the basic elements in any genuine attempt at decentralised planning. This is too important and too broad a subject to be perfunctorily dealt with here, but to briefly digress from the main theme, recent news reports purport to state that the centre has decided to make a test case of decentralised planning in UP and Gujarat. In the former, there have been no elections to the panchayats for two decades, and the panchayats remain suspended as of today. In the latter, decentralised planning had been taken up as early as the late sixties, again, two decades back, but it was found (to the discomfiture of the authorities) that the centre of power was, as a result, beginning to shift from the (Congress) party bosses to the locally elected panchayats; and gradually, the panchayats were stripped of their power and authority, so that the district plan became an adjunct of the state plan, directed from the state headquarters, drawn up and implemented by the bureaucracy, under the watchful eyes of a centralised leadership. Apparently, this is what is now sought to be imposed, under the much touted garb of district planning.

The above, I must repeat, has nothing to do with the mid-term appraisal, but quite clearly, the planning commission has developed cold feet on this issue after C H Hanumantha Rao quit. It is all right to pay a few popularly acclaimed homilics; it is dangerous to plug a line clearly contrary to the direction in which the central leadership is taking the country—that of steadily increasing centralisation in all matters, even while paying lip service to decentralisation.

In regard to KLEGP, the mid-term appraisal admits that "it has not been possible to implement the guarantee [to provide employment to at least one member of each family of landless labourers at least 100 days employment in a year] up to now... A few sample studies... have noted that in addition to stabilising the wage rates, the programme has been able to create durable community assets and generate employment." And yet, as we have already noted, the outlay on the employment-cum-poverty alleviation programmes has been reduced in 1988-89 from the 1987-88 level.

On land reform, the mid-term appraisal notes that "it was envisaged in the Sixth Plan document that legislative measures to confer

ownership rights on tenants would be Introduced in all states by 1981-82. The programme of taking over and distribution of ceiling surplus land was to be completed by 1982-83... "None of the Sixth Plan targets on land reforms measures [including others not reproduced here] have been achieved." What the mid-term appraisal fails to note are: (a) that the defaulting states are by and large those where the Congress party is in a majority; and (b) that without a more egalitarian distribution of property rights over land (through land reform measures), broad based growth in rural areas would remain a distant ideal, and decentralised planning (based on participation by the people in the decision making process) would remain at best a nice talking point.

On several sectoral issues, the mid-term appraisal evinces awareness of the problems facing the economy. Thus the "capital goods sector has not been able to derive the full advantage of a large industrial and infrastructural development programme [bccause of] constraint on domestic resources to finance capital goods purchases and the consequent resort to bilateral finance, the non-co-ordinated technology policy..." On the electronics industry (as also for automobiles), the mid-term appraisal says, "recent growth of the electronics industry has been of the CKD variety. The import bill so far in the first two years of the plan exceeds Rs 2,000 crore which is over 60 per cont of the output...

"In certain sectors like electronics, automobiles and others more systematic attention needs to be paid to indigenisation."

But who cares? The vested interests involved here are public sector undertakings; the departments are not concerned with national policies or national goals but with their own (distorted) growth statistics. The plan is for the birds.

So far, the mid-term appraisal appears to echo what many outside experts have been saying. There are a few other such instances, but thereafter, regrettably, the show of independent thinking peters out. The planning commission verily has many voices; and some of them have their ears attuned to whispers from above. Thus, while, on agriculture, the mid-term appraisal rightly focuses on the importance of irrigation, where precisely are the priorities accorded? Let me recount the recommendations:

- (a) ... specific works which will lead to quick realisation of irrigation potential in projects which are well advanced.
- (b) Allocation of funds from institutional sources... for minor irrigation...
- (c) .. schemes for surface minor irrigation...
- d) ... completion of major and medium irrigation projects ...
  - (e) ... priorities on ongoing projects...
- (f) ... improved reservoir management...(g) CAD projects for on-farm development...

(h) Modernisation projects for improving irrigation efficiencies...

In principle, no one can object to any of these criteria. But given all these priorities, the concerned authorities can be forgiven if they choose the easy way out. Completion of ongoing major and medium projects may take up all the funds available and more, even though most of these projects may not give any benefits for 10 or 15 or even 20 years from now (pace, Teesta, Narmada Valley). Meanwhile minor (groundwater) schemes may be relegated to whatever can be achieved with IRDP funds or with NABARD assistance (pace second recommendation above). What a nice way to satisfy all points of view, and in the process to give the nod to the large body of civil engineers and contractors. And meanwhile, there is not one word in regard to drainage problems arising from (major and medium) surface irrigation projects.

The mid-term appraisal accepts that "the Land Management and Crop Production systems have not always gone together". So, what is the response of the concerned department, obviously endorsed by the planning commission? "A Rainfed Farming Cell has been created in the Department of Agriculture and Co-operation...". An opportunity to expand the bureaucracy is never to be missed; after all, one of the major contributions of planning has been to advance bureaucratic (and technocratic) careers.

Again, "Under the Centrally Sponsored Scheme of National Watershed Development Programme (NWDP), 99 districts in 16 states are proposed to be covered over a period of four years, from July 1986... at a cost of Rs 239 crore." In principle, I think the proliferation of centrally sponsored schemes is bad; but in this instance, look at the gap between the programme and its implementation. For 1987-88, the second year of the operation of the programme—by the way, the budget papers no longer give the details of actual expenditure in 1986-87—the revised estimate under this head of expenditure for 1987-88 is only Rs 6.35 crore. The planning commission is totally powerless in regard to the ordering of priorities of expenditure by the ministries/departments.

Forget the ordering of priorities by the planning commission and note the process of tail wagging: "Planning Commission has undertaken an exercise for organising agricultural planning based on agro-climatic zones... 15 broad agro-climatic zones have been delineated." There would doubtless, hereafter, emerge large teams of technocrats and bureaucrats working out cropping patterns, et al for these 15 agro-climatic zones. Fifteen zones for a country of the size and diversity of India, cutting across state boundaries, combining large, heterogeneous areas, these are essentially a ploy, a wasteful ploy to reduce the authority of state governments. One can predict the emergence of diverse centrally sponsored schemes following the work of these technical groups.

Agricultural planning, crop planning in particular, is likely to be difficult even for a district—one should really go down to the block level—but we are now about to spend large resources of both men and money to evolve "cropping patterns suitable for each region..., as also non-crop based agricultural activities like forests, animal husbandry and fisheries". Verily all talk of decentralisation is for publicity and propaganda; it seems a pity that even the planning commission is not averse to it.

Most of the other activities covered by the mid-term appraisal-human resource development, environment or of science and technology-are replete with the glorification of whatever action has been taken by government, no matter that the actual developments have been retrogressive, that we are chasing the shadow rather than the substance, that we are in the process increasing unproductive administrative expenditures. Some of the statements are laughable. "The objective of integration [between diverse activities like education, health and family welfare, etc] is also reflected in the formation of a ministry of human resource development at the centre." May be, that was about the only evidence that the planners could get of any co-ordination between these activities. The only tangible programme in this context-pursued by a few, very few state governments-pertains to the provision of mid-day meals to primary school children; and the programme is running into heavy weather because of the inadequacy of resources with state governments. The centre has, in any case, nothing to do with this programme, and many pundits (at the centre) have been pointing to this programme as a sign of profligacy on the part of the state governments. The only centrally sponsored scheme in this entire area is the ICDS (Integrated Child Development Scheme, intended for expecting and nursing mothers and children below school going age). Not many are aware that more than 50 per cent of the expenditure under the ICDS goes to meet establishment costs; the actual benefit reaching the beneficiaries is less than 50 per cent of the total outlay. That is because in this—as in many other activities intended to benefit the (rural) poor-one finds diverse different authorities trying to reach out to the same underprivileged groups, each agency (or authority) with its own separate staff, and its own chain of command going back to headquarters. The budget of each agency is small, and most of the expenditure goes to meet establishment costs. Even so, perhaps because this is so, the coverage is thin, ad hoc and arbitrary and sporadic. We are unable to effectively reach out to those for whom the benefits are intended. And yet, we would not decentralise; we do not trust the local bodies (like panchayats); we would not provide assistance to such bodies either with funds or with experts to assist them to evolve properly co-ordinated programmes; we would only talk of the 'involvement of local community' in all these diverse activities, in regard to which each line department or other agency is jealous of its prerogatives, independence and separate chain of command. Power, be it ever so little, is always difficult to give up voluntarily.

But let us see some examples of 'coordination' in the area of human resource development and welfare. An instance of such co-ordination cited in the mid-term appraisal is "by the use of... [NREP]... [RLEGP] funds for constructing school and health centre building' (sic). In fact, after a long tussle, the states obtained approval for the construction of primary school and primary health care centre buildings with NREP/RLEGP funds: and suddenly, this has emerged as an instance of co-ordination between diverse activities.

We are now getting more and more oriented to science and technology and scientific developments. Or at any rate, to scientific jargon. We now have a large number of Technology Missions---again, ob viously blessed by the planners-on almost every problem, including "eradication of illiteracy", and the "operationalisation of national natural resources management system" (whatever that may mean). These are but two of the thirteen technology missions and science and technology projects which have already been launched. The only thing one can say is our top scientific advisers appear to be illiterate about the actual conditions in the countryside.

The planning commission has, for quite some time, been a confused, demoralised body. That it has been effectively emasculated has been known for some time, since there is little relation between plan priorities and the actual release of funds through the budget. Certainly, the planning commission has little say in the overall management of the economy, in the matter of raising of resources, in regard to new outlays intended to improve the 'image' of the government. Perhaps the government has now found a new use of the planning commission—it can be used to get approval and popular acceptance of new tricks (like the detailed planning of agriculture for fifteen agro-climatic zones), a ploy that would proliferate centrally sponsored schemes, reduce the authority of the states, and help to centralise decision making in the name of decentralised planning.

The mid-term appraisal of the Seventh Five-Year Plan has two distinct streams of analysis running through it; much like the clearly distingulshable waters of the Ganga and the Yamuna at the Sangam (below Allahabad), one can discern two distinct strands; one, an attempt to analyse and to discuss our problems freely and frankly; and the other, to whitewash, to provide an apologia for the actions of the central government, to promote the whims of the central political leadership.

# Pressure Cooking in Punjab

Bhabani Sen Gupta

If the prime minister's 'total plan' for Punjab has at last begun to unfold, is it a combination of a very long spell of presidential rule, dissolution of the state assembly, release of the five head priests of the Golden Temple who had been appointed by the Panthic Committee consisting of avowed militants and Khalistanis and of a small proportion of the 400 Jodhpur detenus three and a half years after their detention and a possible declaration of emergency? Or is there anything more?

WHATEVER else one may accuse the union home minister, Buta Singh, of, it cannot be a habit of reading. Even the senior bureaucrats in the home ministry have little time to waste on books or newspapers. Had they or Buta Singh himself read The Times, of London, they would have found in Conor Cruisc O'Brien a source of additional punch for the emergency bill the home minister introduced in parliament and got passed in the twinkle of a mere two days. Singh might have included in the preamble to the 59th constitution amendment bill the British-Irish observer's warning of the 'twin threat' to India, one from Pakistan in Kashmir and the other, a more dangerous one, from the Khalistanis in Punjab. For Connor Cruise O'Bricn, a 'Pakistani-Sikh alliance' poses a major threat to India's territorial integrity and even independence.

This kind of an alliance must appear to many to be quite unnatural. "Yet," writes O'Brien, "during the present decade a common hostility to the government of India has brought numbers of Sikhs and Muslims closer politically. Muslim contingents, carrying the green flag with crescent, now attend the political-religious rallies of the Sikhs; something that would have been unthinkable while memories of the partition period were fresh." O'Brien declared, almost like a spokesman for Buta Singh, that "the challenge coming from the Punjab appears more serious than any earlier [threats] for a number of reasons." He actually furnishes two. First, Puniab is the richest of India's provinces. Secondly, even the Sikh moderates who do not support Khalistan, do not repudiate it either, indicating that the Khalistan slogan has assumed more popularity amongst the community than many would like to believe. As we shall see a little later, he was anticipating some of the rhetoric used by Buta Singh himself.

Buta Singh, Rajiv Gandhi's hatchet

man, has once again descended upon the Punjab scene with the squawk of fury with which Walt Disney's Donald Duck usually bursts upon scenes of disorder. If the 59th constitution amendment bill were a mirror of the inind of Rajiv Gandhi's government, India resembles the world of Disney in which violence, conflict, ruthless physical force and utter desperation are the norm. It is a society in which aggression pays out, humane behaviour gets increasingly impractical, and raw power is the ultimate savagely noble face of government.

Buta Singh's black bill became the law of the land before one could count ten. And in this, the opposition extended a hardly-hidden helping hand to the government. As soon as the emergency provisions in the bill were modified to confine them to Punjab alone, the opposition groups in the Rajya Sabha allowed it to be passed on March 16 with the required two-thirds majority, with 22 of their own members absent, and only 54 present and voting. In contrast, the ruling party mobilised each and every MP to be present in the house including one who was brought in from a nursing home and several who were summoned back to Delhi cutting short their foreign tours. Since the absent Rajya Sabha members represented all the major opposition groups including the CPI, the CPI(M) and Janata, the declaration of an emergency in Punjab had the tacit support of the entire political spectrum. There's something basically hollow, then, in the invectives the opposition parties hurled like spent missiles at Buta (Donald Duck) Slngh, and Rajiv (Walt Disney) Gandhi.

If this proves anything, it proves that the political parties by and large are eyeless in Punjab. Whatever else it might do in Punjab for Rajiv Gandhi, the emergency law of March will not resolve the political problem. This much even the generally pro-Rajiv Hindustan Times realised. "Why should the government arm itself with emergency powers to bring about a settlement in Punjab?" it asked in an editorial. "What strategies has the government in mind?" The government, it pointed out, enjoys sweeping powers under the Anti-Terrorist Act to take action against the militants. "It will be a disaster to the country if the proposed legislation becomes a tool in the hands of the government to reimpose emergency or gag the press."

Evidently, this fear was shared by fairly large number of MPs belonging to the ruling party. Many of them did not like the manner in which the bill was rushed through the two Houses. At least one of them, Chimanbhai Patel, made this clear in a letter to the prime minister that was leaked out to the press. Many others made their reservations known privately to four ministers who were asked to sound out party MPs. As a result of this exercise, the bill was modified on March 15 limiting its scope only to Punjab. And removing the ambivalent phrasing of the original bill, which gave soom for misgivings that the government was arming itself with power to declare emergencies in several parts of the country, if not the whole of it. If 'internal disturbances' can justify the declaration of emergency, a lot of India can be made to qualify for it, the government and god willing.

Even the declaration of an emergency in Punjab alone will be a blow to the democratic process. It will mean suspension of the fundamental rights of the people of Punjab, and censorship of news. The Punjabis may also lose their right to live. The emergency powers, together with the move to extend president's rule by two more years, would seem to rule out a political settlement of the Punjab impasse. In spite of the fact that both governor Sidhartha Sankar Ray and police chief Ribeiro have been publicly urging for some time that a political solution alone can bring terrorism in Punjab to an end, and not counter-terrorism by the armed police and paramilitary forces.

The doctrine of tooth-for-tooth and eye-for-eye has been given a long and bloody trial. The prime minister's political mistakes and blunders in Punjab were compounded last year by his dismissal of the Barnala ministry in order to appease the voters in Haryana. Not only did he lose Haryana to Devi Lal, he destroyed the middle of the political spectrum in Punjab, which was the envy of, say, Jayawardene of Sri Lanka who never had a working Tamil middle in Jaffna. True, the Barnala government had fallen short of

everyone's expectations including those of Barnala himself. True, the Akali Dal stood fragmented as never before dashing the opportunities its leaders once had within their grasp of building bridges of communication and dialogue with the terrorists. Even then, Barnala stood boldly and not entirely ineffectively between the centre and the Khalistanis. He deserved to be kept in power if only for that significant role.

He was dismissed on the ground that he had not shown enough determination to deal with the Khalistanis; some of his ministers were alleged to have linkages with terrorists. But what happened during a year of president's rule? In the 18 months of the Barnala ministry, 900 people were killed by terrorists. In the first nine months of president's rule, the number of people killed jumped up to 1,364. In the month of January 1988 alone, as many as 207 people were felled by the Khalistanis. The police killed 354 terrorists in the first nine months of presidential raj and arrested 3,886. During president's rule, the terrorists have acquired more sophisticated weapons on a larger scale. Despite ruthless use of force by the security forces, recruitment to the ranks of the extremists has increased. The terrorists also apparently enjoy considerable public sympathy in the Sikh community or are able to get shelter and food at the point of the gun.

Not many months ago, governor Ray used to claim that just about 50-60 'A and B class' terrorists were at large; he broadcast the assurance that they would be nabbed before long. He told several audiences that the security forces had got the long-awaited upper hand over the terrorists by going on the offensive. Some innocent people were bound to die or get maimed; that, alas, was unavoidable. But the end of the tunnel was near at hand. Punjab's long night of guns and knives was about to end. The prime minister, governor Ray told his audiences, was armed with a 'total plan' for Punjab, which would be unfolded soon. It would be a combination of several initiatives, political, adaptive, communicational. The governor's claim clearly lacked credibility: how could a mere 50-60 terrorists, most of them 'B class', hold the entire state of Punjab and the union territory Delhi to ransom?

If the prime minister's 'total plan' for Punjab has at last begun to unfold, is it a combination of a very long spell of presidential rule, declaration of emergency, dissolution of the state assembly on March 6, release of the five head priests of the Golden Temple who had been appointed by the Panthic Committee consisting of avowed militants and Khalis-

tanis, and of 40 of the nearly 400 Jodhpur detenus three and a half years after their detention? Or is there anything else? Jasbir Singh Rhode, 'a cousin or nephew' of Jarnail Singh Bhindranwale, as CPI's Indrajit Gupta described him in the Lok Sabha, was appointed chief of the Akal Takht on March 8 by the SGPC executive in the presence of the Unified Akali Dal leader, Prakash Singh Badal. (This was a vindication of the appointment of the same man in absentia to the same post of January 26, 1986 by the Sarbat Khalsa organised by the militants.)

Two days later, Jasbir Singh Rhode made it clear that if there were to be talks with the centre, these would be conducted only by the militants and by none else. The militants alone would decide if the talks were to be held unconditionally or subject to some conditions. He stood by the 1986 Sarbat Khalsa demand for Khalistan, but introduced a certain ambivalence into it by saying that the Sarbat Khalsa alone would decide if Khalistan were to be within or outside India. "We have a building plan; it remains to be seen how the house is constructed", he remarked quizzically. In the same breath, however, Jathedar Jasbir Singh talked about 'purain azadi'-complete independence-of Khalistanis.

The government too seemed to speaking in two different voices. The prime minister declared that his government was willing to talk to anyone within the constitutional framework, which inspired an instant speculative report in the Indian Express of March 9 that Rajiv Gandhi was 'thinking' of initiating a dialogue with the extremists. The report suggested that the prime minister had been disappointed in his hope that Badal, released from prison, would be able to open up a dialogue with the militants. Now, apparently, Rajiv Gandhi was reposing his hopes in the newly released 'cousin or nephew' of Bhindranwale. Had the prime minister, then, reached a secret understanding with the five high priests of the Golden Temple? The Akali Dal leader asked this question of one another, like blind men in search of light. After 63 years of its history, the Akali Dal stood cleaved for the first time by the dividing line of age. The young Sikhs were drawn to extremism, while the elderly leaders of the community stood hopelessly atomised amongst themselves, and, collectively, from the youth. They blamed the centre for splitting them into mutually warring fragments and hoped that the centre's leaning towards the extremists would reunite them if only to defend the interests of the landed rich of Punjab. Who knew how many of the committed Khalistanis came from families left out of the Green

Revolution? Who knew what kind of social radicalism lay hidden behind their gory politics and their quasi-religious slogan?

Buta (Donald Duck) Singh, however, shrugged off prospects of talks both with the terrorists and the moderates. "If a man takes to the gun and kills innocent people, the path of political dialogue closes," roared he on March 13. "The only way open is to force the man to drop the gun." Buta Singh did not believe that there were any moderates in Punjab. "The so-called moderates are neither here nor there. The fact is they are building bridges with the terrorists." Was that forbidden for them? Was building bridges to the terrorists the preserved monopoly of the prime minister?

The most charitable anticipation of the prime minister's supposedly still unfolding 'total plan' for Punjab is that while, on the one hand, he has armed himself with power to declare an emergency in the state and to keep it under Delhi's direct rule for two more years, he is, at the same time, laying out a design to get the militants involved in serious political dialogue, Having struck political deals with the once-extremist youth leaders of Assam and with Mizoram's Laldenga. isn't the prime minister provenly capable of reaching out to the wayward Sikh youths if he could only free himself from the crippling binds of bureaucrats, traditional Congressmen and the opposition parties?

This charitable interpretation of the motives of Rajiv Gandhi is probably a last desperate flight to the bygone romance of his 1985 leadership. It is tempting to think that he may have received coded signals that the armed Sikh youths now parading the absurd 'map' of Khalistan, are willing to settle more or less for the present state of Punjab within India if they alone could form the next government. We shall see before long what remains of Rajiv Gandhi's 'total plan'. One thing, however, is clear. With the election approaching, Raiiv Gandhi is in no mood to consult with the opposition political parties and find a 'national' solution to the Punjab problem. Whatever solution there is must be his own alone, executed through his own party. After all, there would be no election in Punjab. An emergency in Punjab would not cost the prime minister an electoral tuppence. Unless the opposition parties find in an emergency in Punjab the beginning of a grand design of imposing arbitrary rule on the entire country. In the Rajya Sabha on March 15, Vishwanath Pratap Singh alone expanded such a dark vision. Most others on the opposition benches seemed to be ready to see what political pressure cooking could produce in Punjab.

# Calcutta Diary

AM

We will continue to flounder, experiencing the agony of an insurrectionary situation but denied the prospect of an actual insurrection.

AS long as we do not decide to take ourselves beyond the pale, we have to abide by the country's Constitution. We have to abide by it, but it is open to question whether we have to show respect to it. For that could be sheer hypocrisy.

No whole is quite itself without its parts. The Constitution also tells you how to amend it. The operative procedure is laid down in Article 368, basically in its first two clauses, worth quoting in full:

368. Power of Parliament to amend the Constitution and procedure therefor.

(1) Notwithstanding anything in this Constitution, Parliament may in exercise of its constituent power amend by way of addition, variation or repeal any provision of this Constitution in accordance with the procedure laid down in this article.

(2) An amendment of this Constitution may be initiated only by the introduction of a Bill for the purpose in either House of Parliament, and when the Bill is passed in each House by a majority of the total membership of that House and by a majority of not less than two-thirds of the members of that House present and voting, it shall be presented to the President who shall give his assent to the Bill and thereupon the Constitution shall stand amended in accordance with the terms of the Bill.

Provided that if such amendment seeks to make any change in (a) Article 54, Article 55, Article 162 or Article 241, or (b) Chapter IV of Part V, Chapter V of Part VI, or Chapter I of Part XI, or (c) any of the Lists in the Seventh Schedule, or (d) the representation of States in Parliament, or (e) the provisions of this article, the amendment shall also require to be ratified by the Legislatures of not less than one-half of the States by resolutions to that effect passed by those Legislatures before the Bill making provision for such amendment is presented to the President for assent.

The language is elliptical, it is however about as easy as fornication in an idle afternoon. We are supposed to be a Union of States, but, in ordinary circumstances, once the mind has been made up, the states will not be bothered, the Constitution may be chopped and pruned even without their leave. True, if it is a case of altering the provisions of the three Lists in the Seventh Schedule, which specify the respective spheres of jurisdiction of the union and the states as also their supposedly concurrent sphere, the state legislatures will also be called upon to give their verdict, and at least one-half of them have to agree to the proposed changes. As the nation has learnt to its cost in the 12.

course of the past fifteen years, the most significant area of the Constitution is its Part XVIII, running from Articles 352 to 360, detailing the arrangements and attributes of the Emergency. Once the provisions of these articles are made to apply, the Seventh Schedule loses its relevance, and the nation's fundamental rights, so proudly laid down in Chapter III, get buried several fathoms deep. Read Article 368 once more, Part XVIII can always be amended without the leave of the states. As if the states ought to have no say when their powers are taken away by amending the Emergency provisions, or when the nation's fundamental rights are further abrogated. It is a Union of States, the authorities may however continue to think up resolutions which will render the Articles from 352 to 360 more and more sinister, these resolutions will throttle the prerogatives of the states with an increasing viciousness, but the latter will have no franchise; these provisions may squeeze and squeeze the fundamental rights so that all that remain of them will be a shrivelled lemon, the states will nonetheless have no franchise and death will have its own dominion, both Houses of Parliament having passed the necessary resolutions by a two-thirds majority of the members present and voting and by a simple majority of the total membership.

You go and climb the Everest because it is there. You go and amend the Constitution because it is so easy, it will be a crime against nature not to amend it every now and then, much in the manner of idle, absent-minded fornications in the afternoon. The authorities, echoing Robert Clive, may even claim to be astonished at their own moderation. Over the thirty-eight years since it was ushered in, they have amended the Constitution only on fifty-nine occasions; over these thirty-eight years, Georges Simenon, according to his own admission, has gone to bed with perhaps two thousand different women.

But Simenon, despite the granite of his writing, finally loses his co-ordinates, and ends up with an autobiography which could not be more embarrassing; it reveals in awecome nakedness an individual who can no longer recognise himself, fornication has become mindlessness. The assorted amendments to the Indian Constitution do not quite demonstrate the lack of application of mind. Quite the

contrary; they betray the presence of a mind determined to destroy all vestiges of life. The denouement is hardly likely to be any different from the fate that has overtaken Simenon: it will be dissolute existence, and it will be impossible to avoid asking intense questions on the purpose of it all. Simenon will continue to be read, because it is impossible to resist the magnetic power of his writing. India, with her million complexities, will continue to attract a crowd. In both instances, though, it will be neither ardour nor respect. A sick reality will be taken cognisance of, but just that.

Nations can carry on without a Constitution, the examples are well known. And even were they unable to carry on, they could at least mount the plea of how difficult things can be when written guidelines are missing. But once they have given themselves a written document, carefully couched in ponderous jargon, the failure to stick to it is a major calamity. Two conclusions are then possible. Both could be equally valid, or at least one of them. First, the nation is yet to be one, it is still floundering. Second, those who drafted the Constitution were a bunch of nincompoops.

Of course the nation is floundering. Around her and inside her, ingredients exist of an insurrectionary situation. These ingredients are compounded of diverse chemical properties. Class questions apart, there are objective issues touching on language, culture and ethnicity. Between the perception of a situation and its articulation the shadow falls, it always does in all climates and in all eras, it has also fallen in our case. But the more intractable problem is posed by what has come to be known by the cliche of structural factors. Both lovers of legality as well as would-be insurrectionists find the experience frustrating beyond description. For those opting to operate within the frame of legality, the chronicles of the past twenty years illuminate the limits of their capability: at most they can walk out of the meeting of the National Development Council, or they may choose to be dismissed under Article 356. The insurrectionists too have lived through the experiments of two decades, the majority of them now know: Yenans are not replicable over here in the immediate period, venality may have reached a level which compares favourably with what obtained in Kuomintang China, a necessary condition is however not yet a sufficient condition, the centralised shield of state power is an element which was missing from the Chinese picture. Besides, international relations have so evolved that external powers would dearly like to get into the act as soon as an insurrection threatens to rear its head in any corner of

the earth. This too was a phenomenon unknown around the time that the Soongs had set about to plunder China, and thus hustled Mao into making up his mind.

We will therefore continue to flounder, experiencing the agony of an insurrectionary situation but denied the prospect of an actual insurrection. Inconsequential people will, in this situation, come to occupy positions of importance. They will do much hooting and puffing. The surrogates of the Soongs will be much in prominence. They will be elected to parliament and be ministers. They will divest the national exchequer of a good part of its contents. Absurd notions and propositions will hold sway. In the past forty years, the growth rate of agriculture in the country has barely risen above 2.5 per cent per annum. Charlatans will come forward and claim that they are in a position to push this rate up to 30 or 35 per cent in the course of a single year. In the National Development Council, they will be listened to intently; everybody will be polite, including dissident chief ministers. One amongst the latter will even feel impelled to let drop the lugubrious remark that economics must be divorced from politics. He will not consider it necessary to stop for a moment and ask himself how. This aura of non-understanding will make it easy to rush through constitutional amendments which will enable the central authority to accumulate even greater power in its hands. That will not release the nation from its agony; it will in fact only prolong the agony.

Colonialism is having its final laugh. The central authority loves nothing better than to flout legality. But the psyche put to shape by the British shows; by all means break the law, but do so by amending the Constitution. Those jurists who wrote the Constitution could have at least shown a minimal wisdom by making the process of amending it a little bit more onerous. Had there been scope for throwing some spanner in the works, some lessons could perhaps have been driven home, such that. in certain circumstances, it is better to end it than mend it. Those fogies who pretended that they were the epitome of sagacity and learning, and who continue to be posthumously flattered with redious biographies, have caused the nation irreparable harm. In the days of war communism, the revolutionary leaders of the Soviet Union used to commisserate with one another: he who does not make a mistake creates nothing, India is sui generis, here the mistakes are invariably non-creative. Fasten your seat-belts, there is going to be yet another constitutional amendment, the sixtieth, this afternoon: it will prohibit old fogies from being described as such, and frauds from being called frauds.

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# Development of a Self-reliant Agro-Food Industry

Impact of Technology Imports

**Baldev Singh** 

The impact, positive or negative, of imported technology on selfreliant development would depend on the circumstances and conditions of its assessment, selection and acquisition, application and diffusion. A consideration of some of these factors in relation to the food processing industry.

INDIA is a country of a great degree of social, economic and cultural diversity. While discussing the agro-food industry in India and the technological requirements thereof, the socio-economic status of different sections of the population, food habits of the people in different states, traditional methods and practices of processing and preservation of food materials, have to be kept in view. Account has also to be taken of the social transformation taking place under the impact of modern systems of communication and media such as, newspapers, radio and television services; international travel and influence of the life-style and habitat of people in the advanced industrialised countries. India lives in many conjuriesthe age of the satellite and space travel coexists with the traditional bullock cart, the bicycle and the rickshaw. In the food industries' sector, as elsewhere, technology must cater to the requirements and demands of this vast variety of the people.

In considering self-reliance, a view must be taken of the technological level at which self-reliance is sought to be attained. Also, whether the policies on technology are taking into account the progress; implications and impact of the emerging technologies, in the country or elsewhere in the developed countries. Technology imported or indigenously developed should be taken as a factor in the socioeconomic development. The impact, positive or negative of the imported technology on self-reliant development would depend on the circumstances and conditions of its assessment, selection and acquisition, application and diffusion. Some of these factors are considered below.

A perusal of Foreign Collaborations, an annual compilation of the Department of Scientific and Industrial Research for the years 1982 to 1986 provides an idea of the

imports of technology in different industries, such as chemicals, engineering, metallurgy, electronics, etc. The compilation includes information on the number of technical collaborations, those with foreign equity investment and participation, or simply the purchase of designs, drawings and engineering documentation, and the consultancy arrangements.

Food industry is not listed separately but foreign collaborations in this area are dispersed under 'chemicals', 'engineering', and 'other industries'. Of the 4,002 foreign collaborations (technical and financial) during this period, only 78 pertain to food processing, and food processing machinery and equipment or related industries. Of these 43 are for machinery manufacture for food processing and 35 for manufacturing know-how for various agro-food industry items such as fishing and fish processing, tuna, meat and meat products, beer, yeast, etc.

A noticeable feature of the import of technology is that some of the Indian large houses like Kotharis and Modis are entering the food processing industry with l'oreign l'inancial participation. A few transnational companies like Nestle, Lipton and Brooke Bond have expanded their range of products to include chocolates, cocoa butter, soluble coffee and tea, etc. Some engineering companies like Larsen and Toubro, Vulcan Laval have expanded their range of machinery manufacture to include food processing machinery and equipment. Others have entered into technical and/or financial collaboration with manufacturers of food processing machinery in advanced countries.

Considering the limited number of foreign collaborations, technical, financial and otherwise, the imports of technology in the field of agro-based industries as such do not appear substantial.

However, imports of technology are also taking place in the form of embodied technology in the equipment and machinery. Besides, the suppliers of machinery also provide a package of technical know-how for pre-treatment and preparation of raw materials and their processing, etc. In the 1985-1988 Import Policy, the government of India have placed equipment and machinery for food processing, l'ood industries and packaging under Open General Licence (OGL). Thus machinery for fruit and vegetable cutting. curing, cubing, deseeding, stem removing, ctc; macroni, noodles, spaghetti, vermicilli and paste products' manufacturing machines, can be freely imported. This also applies to meat processing machinery for mincing, deboning, chopping, flaking, skinning, etc, and equipment for automatic packaging of meat portions in duplex cartons. Similarly, machinery for sca-food industry, fish processing and fish meal plants, egg and poultry processing and packaging, are freely importable. Also included in the OGL import list is the machinery for automatic packaging. lamination, carton forming, filling and sealing, tray forming, pouch systems, lid sealing of cups and trays, flexible packaging and gas and vacuum packaging, automatic labelling, asceptic packaging, case packing and automatic wrapping, etc. A number of items of dairy industry equipment can also be imported under OGL.

Figures for imports of food processing machinery and equipment, etc, after its being placed on Open General Licence in the 1985-88 Import Policy are not available. But apparently the intention of the authorities was to give food processing and packaging industry a boost and facilitate the setting up of food processing units. A number of collaborations (43) to set up manufacture of such equipment are evidence of the initiative of the Indian entrepreneurs to enter this developing area.

A factor influencing in favour of liberalisation of imports of food processing machinery and technology is the government's policy on transport and tourism. During the years 1982-86, twenty five-star hotels have been licensed with foreign technical and financial participation of multinational hoteliers such as Sheraton, Hyatt, Remada, Holiday Ina, International, Meridian, Penta and others—which are in turn linked with international airlines, oil multi-nationals and others. In 1985, there were more than 500 hotels and another 300 licensed for new construction with accommodation of

above 50,000 rooms, suites, etc. Tourism attracts more than a million people from advanced industrialised countries every year and accounts for above Rs 1,300 crore earning per year in foreign exchange.

On an average there are more than 40,000 people staying in five-star hotels per day; besides an equal number as tourists, employees of foreign concerns, staff of foreign embassies, etc. Taken together with the elite among the urbandwelling section of the Indian community (23 per cent of the population), they represent an influential section of users of the foreign-oriented products of the food processing and packaging industry. These sections create a powerful demand pull for imports of technology to meet their requirements. Liberalisation of imports represents the government's view that tourism and hotels are valuable foreign exchange earners. Tourism and transnationals represent a type of cultural invasion which influences the sartorial, culinary, dietary and social outlook and habits of the socially influential and politically powerful elitist section of the Indian society-which also has a comparatively better purchasing power.

On the positive side, it could be said that the impact of foreign technology also stimulates the Indian industry to improve their products designs, presentation and marketing methods. Since raw materials for the food industry are, to a great extent, country and climate specific, it stimulates adaptive type of R and D in processing, preservation and packaging, etc. Cocoa-

Cola did lead to an improvement in the quality of bottling and marketing methods of the Indian soft-drinks industry.

On the negative side, apart from the cultural alienation, it leads to westernstyle aggressive marketing methods for consumer products and large-scale television and media advertising, etc. tying up scarce available resources to unproductive activity. Still more seriously, it may tie up limited resources of R and D in the statefunded laboratories to adaptive type of research, sponsored and funded by the industry. Since there is increasing pressure on the R and D institutes to increase their earnings from industrial research, the possibilities of distortion in R and D programmes cannot be tuled out—since only these sections of the industry may have the capacity to sponsor and finance R and D.

Another sector, representing an increasing deniand pull would be the exportoriented sector. India has entered the export market for sea-food, meat and meat products, processed foods and dry fruits, etc. India's share in the world production of processed foods is meagre (0.79 per cent) but the unexploited potential for value-added processed food production and exports is substantial.

In this highly competitive field, products must conform the standards of hygiene, quality and packaging, etc, of the importing countries. This is more easily achieved through products produced with imported technology, marketed under a

reputed brand name and with financial participation and collaboration with the importing and marketing partner located in the developed country. The situation represents a downright exploitation of the agro-food resources of the developing country. Collaboration agreements of this type of technology import are also known to contain various restrictive conditions and are subject to trading malpractices. India's trade deficit creates a pressure for exports and government of India's policy permits even a majority foreign equity participation resulting in foreign management control of units with sizeable export-potential.

Indian middle class, composed of civil servants in the central and state governments, media personnel, intellectuals, employees of educational and scientific institutions, employees of multinational companies, industrial firms and smallscale industrialists, trading houses and small traders, and some categories of selfemployed personnel also represents an influential section of the Indian society. They are involved in policy making and are sufficiently pervasive to influence the opinions and tastes of consumers. This class is also the most affected by the socioeconomic transformation. Economic pressures oblige both husband and wife to seek employment. High costs and lack of availability of domestic help increasingly drive the households to mechanisation and automation of washing, cooking and other domestic chores. Besides. cooked or semi-cooked foods, dry snacks such as biscuits or roasted and fried salted snacks, ground and packed spices, preweighed plastic film packaging of cereals and pulses and carton packaging of milk and fruit juices are coming into regular usage. While food habits as such, have not changed in most families, the processing, packaging, marketing and presentation of the food articles has. Technology for agrofood processing, locally developed or acquired from advanced countries, can play a useful role in minimising the drudgery of the household work and ameliorating the women's lot, provided it is selected keeping in view the food habits of the people, nature of raw materials to be processed and the cost of their availability. It is doubtful if the high-priced fast-food restaurants are the answer to the socioeconomic problems of the middle class. Since food industry is predominantly in the small-scale sector, there is plenty of scope for introduction of better and hygienic processing techniques, quality control, attractive packaging presentation, and marketing methods. If technology in the food-processing industries is to be imported as an embodied part of the equip-

TABLE 1: FOREIGN COLLABORATIONS, 1982-86

Year		Att industries	Att Industries			Food Industry						
	Technical	Financial	Total	Tech	nical	Fina	ncial	To	tal .			
t982	475	113	588	9	(6)	4		13	(6)			
1983	544	129	673	8	(3)	6	(2)	14	(5)			
1984	592	148	740	12	(t1)	3		t 5	(t1)			
1985	785	256	t04t	14	(10)	4	(1)	18	(11)			
1986	704	256	960	14	(9)	4	(t)	18	(t0)			
	3100	902	4002	57	(39)	21	(4)	78	(43)			

Note. Figures in brackets indicate collaborations for machinery and equipment for food processing.

Source: Compiled from Financial Collaborations, 1982 to 1986; Department of Scientific and Industrial Research, New Delhi.

TABLE 2: TOURISM, HOTELS AND AIR TRAVEL

Year	Tourists	Earnings from Tourism (Rs Cr)	Hotels	New Licences for Hotels	Air Passengers Carried (lakhs)	
1981	8,53,148	564	363	t59	75	
1982	12,88,162	750	405	205	80	
1983	13,04,976	tt31	425	226	9t	
1984	12,10,752	t200	476	278	103	
1985	12,59,384	1300	511	301	109	

Source: India, 1982 to 1986, Publications Division, Ministry of Information and Broadcasting, Government of India, New Delhi.

ment and machinery then with a view to

self-reliance, indigenous R and D should be oriented accordingly.

Perhaps the most neglected sector, notwithstanding declarations to the contrary, is the rural sector, which along with the small-scale, cottage and village agro-food processing practices represents the storehouse of age-old, traditional technologies, tried and tested over generations. The agro-rural sector also truly represents the socio-cultural ethos of the Indian people since it consists of almost 76 per cent of the population and accounts for about 50 per cent of the employment. The rural sector has technologies for cultivation and cropping, storage, processing and preservation, transportation, etc, of cereals and food materials developed over the years to conform to local climatic conditions, food habits, customs and practices. With the passage of time, these technologies have become un-economic, less productive, unhygienic and at times inefficient and wasteful. Still, they provide rural employment; are the basis of rural agroindustries and conform to the social and

TABLE 3: EXPORT OF PROCESSED FOODS

(Rs lakh)

Item	Value							
	1981-82	1982-83	1983-84	1985-86	1986-87 (Target)			
Mango juice	723	701	276	187	650			
Other canned and								
bottled frults	1421	4770	2506	4802	4000			
Canned vegetables	145	8.5	82	158	120			
Dehydrated vegetables	191	180	182	137	180			
Pickles and chutney	746	568	652	544	750			
Fresh meat	1359	1993	2247	2906	3800			
Frozen meat	4667	4172	3020	4207	5200			
Canned ineat	507	533	320	282	600			
Poultry products	405	59	69	36	300			
Animal castings	241	274	202	194	200			
Confectionary and								
sweatmeal	38	15	23	11	-			
Biscuits	306	279	187	109	_			
Guar gum and meal	10876	3572	1649	3263	5000			
Non-alcoholic beverages	19	29	20	4	_			
Alcoholic beverages	64	45	44	47				
Malted milk	109	245	178	190	600			
Ghee	101	151	150	193	500			
Starch and its derivatives	358	85	36	90	_			
Papads	219	207	207	403	500			
Instant coffee	1300			_	_			
Instant tea	487		_	_				
Cocoa products	291	138	24	23				
Walnuts in shells	379	56	56	26	**			
Walnuts kernels	733	748	448	794	1500			
Mushrooms	211	355	300	416	500			
Other processed foods	397	414	577	325	1200			
Fresh mangoes	673	674	1100	1637	1650			
Other fresh fruits	646	610	471	793	2150			
Fresh vegetables	799	860	1706	1651	2700			
Fresh onions	2944	3237	3587	5186 ·	5500			
Fresh potatoes	52	39	7	6				
***	31327	25094	20326	28620	37600			

Source: Food Digest, Vol 8, No 2 (1985), p 81 and Vol 10, No 1 (1987) p 29.

TABLE 4: WORLD AND INDIA'S PRODUCTION OF PROCESSED FOODS

(Qiy in lakh tons)

				(E.A. In terms to make		
Product Group	1982			1984		
	World	India	Per Cent Share of India	World	India	Per Cent Share of India
Meat and meat products	1403	9.6	0.68	1474	10.1	0.69
Dairy products and eggs	5333	56.1	1.05	5537	61.6	1.11
Fruit and vegetable products	374	1.4	0.37	394	1.4	0.36
Other food products	3128	8.9	0.28	3299	11.2	0.34
Total	10238	76	0.74	10704	84.3	0.79

Source: Food Digest, Vol 10, No 1 (1987), p 30.

cultural practices and beliefs of the people. On the cultivation side, use of high cost and energy intensive inputs such as excessive mechanisation, massive use of chemical fertilisers and pesticides necessitating large-scale irrigation and expensive equipment, may not be the right answer. Introduction of capital intensive and labour saving technologies in agriculture and agro-food industries may create an explosive employment situation besides uprooting the traditional technologies. That is not to deny the need for changing the primitive scenario, but the strategy to be followed and techniques to be adopted have to be different. Thoughtless induction of technologies and practices from the industrially advanced countries may be incompatible with the local socioeconomic and cultural scenario, causing needless hardship. In the rural sector, in the developing countries modern technologies would have to be integrated with the traditional technologies and absorbed by the people to achieve meaningful modernisation. Traditional technologies in food processing have played an important role in prevention of food losses and providing nutritious processed food to the consumers. There is empirical knowledge and wisdom which went into their development over the years. There is urgent need to gather and document information on the traditional technologies, assess these technologies and integrate them with the modern science-based technologies. Traditional methods of processing cereals and food. grains, legume products, fermented foods and other perishable products such as fruits, vegetables, meat and fish, offer challenging opportunities for the use of basic sciences such as microbiology, biochemistry and physics to upgrade the old technologies. Use of micro-chips to control fermentation, moisture and milling process have been suggested to minimise food losses. According to Amilcar O Harrera, "To absorb the benefit of new technologies, the R and D system in & developing countries has to meet a formidable challenge. A most important point is their ability to work on new technological areas from the level of basic research, because the technical options diminish rapidly down the chain of basicapplied-development research. If we try to enter mostly in the last stage—as has happened in the past—the result will be, as before, that we will use technologies. developed entirely in developed countries, and thus adapted to their own conditions and possibilities." Harrera also warns, against the tendency of "the other obvious; option to let the MNCs devise our own? appropriate technologies—an option already offered by some of them. We



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have enough experience of the type of dependency generated by such a policy."

Self-reliance and import of technology (science, technology and management experience) from advanced countries are not necessarily conflicting or mutually exclusive. Main concern should be the process of definition and not necessarily the technology itself, which can be imported, if necessary, provided it is appropriate. In this way, the transfer of technology becomes an integral part of the process of generation of technology. The critical question to be considered in import or local development of a new technology is its impact on the economic, social, political and cultural characteristics of the country concerned. Example is quoted of the transformation of Japanese productive system during the 19th century through introduction of technologies generated in Europe, while maintaining its cultural identity during the process. Harrera remarks "Japan imported foreign technologies on its own terms. All the decisions on the ways and forms to absorb them, including the necessary modifications of the Japanese society, were taken internally." Through this meliculous study of the impact of imported technology "Japan's transformation seems to have involved less hardship for the population than the same process in Europe. despite the fact that in the latter case, the technologies were indigenously generated?"

Compulsions of a developing country like India cannot be wished away. Shortage of foreign exchange, need for rapid economic and industrial development, a growing and large population, rural backwardness and unemployment are facts of life. On the other hand, India has the unique advantages of a well-developed and diversified industrial and technological infra-structure; a large number of educational, training and R and D institutions; and a large, well-qualified, trained and capable scientific community. The present policies on technology, its import or local development, do not include studies of their social, economic, political and cultural impact; nor any strategy to conform these to the objective of ensuring a self-reliant development. The question is not whether import of technology has a positive or negative impact. The question is whether political will, integrity and wisdom are available in the system to steer the country on to the path of self-reliance.

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## Strikes as Lock-Outs

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Situations where the market demand is not enough to ensure full working of industrial units are those in which the owners would certainly like to keep the units closed for some time. In West Bengal it is exactly at such times that the trade unions have called strikes. Since the leaders of the 'left' unions are not novices in trade union struggle, the only possible inference is that these strikes are deliberately called in order to meet the needs of the owners. This conclusion is strengthened by the peculiar course of the recent strikes in public sector engineering and jute mills.

WEST BENGAL has usually accounted for the largest share of persondays lost in organised industry. It is only during certain times, as on the occasion of Bombay's long drawn-out textile strike, that other states have displaced West Bengal from this position. From this picture, it cannot, however, be concluded that the trade union movement continues to advance in West Bengal. The truth is that in the nineteen eighties, more than 90 per cent of the persondays lost have been due to lock-outs rather than strikes. So, under the benign rule of the Left Front it is big capital that has been on an unrestrained offensive against labour, and not vice

Industry in West Bengal continues to be dominated by the so-called sunset industries, like heavy engineering and jute. A number of these firms have been bled of their capital, and then taken over by the government as sick units. Virtually all the old engineering firms like Burn, Braithwaite and Jessop, Britannia and Garden Reach, and the jute mills of the National Jute Manufacturing Corporation (NJMC) fall in this category. The attempt of big capital, whether of the government or private varieties, but more so of the latter, has been to throw the burden of sickness on the workers, forcing them to accept a worsening of the terms of employment as the condition for keeping the units running.

The most frequently used weapon of big capital, in this attempt to throw the burden of sickness on the workers, is the lock-out. In the jute industry, at any one time some six to eight mills are closed; and the jute industry as a whole accounts for a major part of the persondays lost due to lock-outs.

This situation of lock-outs accounting for more than 90 per cent of persondays

lost has changed twice in the eighties. The proportion of persondays due to strikes was 34.0 per cent in 1980 and 73.8 per cent in 1984. For other years of the decade it was 5.9 per cent in 1981, 2.0 per cent in 1982, 3.8 per cent in 1983, 1.3 per cent in 1985 and 1.8 per cent in 1986. In both 1980 and 1984 the dramatic change in the proportions was due to industry-wide strikes in jute and engineering, the sunset industries. In 1984 there was a prolonged 75-day strike in jute. Strikes in public sector jute and engineering firms in 1988 will ensure that in this year too the days lost due to strikes will be up from the decade's norm.

In a situation where the owners of the jute mills, organised in the IJMA, are keen to keep the mills shut for a part of the year, are these strikes, really expressions of the workers' struggles; or, are they merely disguised lock-outs, with the difference from straightforward lock-outs lying in the fact that they are called by the unions and not by the management?

In the condition of a depressed industry, the owners of the mills would certainly try to throw the burden of the depression on the workers, depriving them of the gains they have made in earlier struggles. To avoid any form of struggle because of the depressed industrial condition, would help management easily achieve its aim of worsening the conditions of labour. This is dramatically illustrated by the conditions of the workers in the nine mills which changed hands and reopened after long lock-outs. The conditions on which they reopened included lower wages and higher workloads and reduction of workforce by about 25 per cent. The workers have also been forced to accept plainly illegal conditions, like deferred payment of bonuses and freezing of gratuity. Such illegal conditions of work

are nothing new in the jute mills. Women workers, as they grow older, have been able to keep their jobs only by taking on and paying out of their wages, a helper or bhag (share) worker, usually a younger woman. In the condition of a depressed industry, such illegal methods of work are now being generalised from women to all workers.

The response to the management's onslaught in a situation of depressed industrial conditions cannot be that of abandoning struggle. That would only deliver the workers tied hand-and-foot to the excesses of capital. But in this situation, is a strike the correct response of the workers to the provocations of big capital?

The first principle of class struggle, as of war, is to fight only on ground favourable to oneself and avoid engagements on grounds favourable to the enemy. Situations where stocks have piled up or where the market demand is not enough to ensure the full working of all the mills, are those in which the owners would certainly like to keep the mills closed for some time. At such a time it is necessary that the trade union leadership avoid all provocations to go on strike, for that is what the owners want. But in the case of West Bengal it is exactly at such tlmes that the trade unions (CITU, AITUC, INTUC and some smaller unions all together) have called strikes. The leaders of the 'left' unions are not novices in trade union struggle, apt to make elementary mistakes in the timing of strikes. The only possible inference is that these strikes are deliberately called in order to meet the needs of the owners. This conclusion is strengthened by the peculiar course of the recent strikes in public sector engineering and jute mills in West Bengal. The demand of these public sector workers for parity with other public sector workers in the rest of the country is entirely reasonable. But the engineering strike was settled on terms worse than those that had been rejected two weeks earlier. Newspaper reports pointed out that the private sector Confederation of Engineering Industry was pleased with the prolongation of the strike. Similarly, in the case of the public sector jute mills in the NJMC, the more than 65-day strike helped firm up jute prices. A report in the Business Standard January 15 pointed out it is an open secret now that the state has the blessings of some leading jule goods traders and some private mlll owners." Certainly these strikes, both in the public sector engineering firms and jute mills, did benefit the owners of the private sector units.

Is there any alternative to abject surrender or such futile strikes? There is, and that is to shift the ground of struggle from the economic to other aspects of the workers' existence, both in the work-place and outside. While refusing to be drawn into struggle on unfavourable ground, the trade unions must switch the point of attack to more favourable ground, to switch from the economic to the political. Simultaneously this may lead to changes in the leading organisations of the workers, with new organisations embodying the switch-in struggle gaining strength to replace the older, established ones.

The political grounds of struggle could be quite varied. The post-1967 recession gave rise to not only the militant form of economic struggle in the gherao, but also to the workers' involvement in the peasant uprisings of that period. More recently, we have seen the Nepali workers of north Bengal en masse desert CITU and launch a militant people's movement for a Gorkhaland state. The adivasi resurgence among the Jharkhandi tea garden labourers in north Bengal similarly threatens to move the Jharkhandis away from CITU.

The point is that workers in India besides being workers also belong to a particular caste, religion, nationality and gender. Besides their general problems as workers they also face specific oppressions as belonging to the lower castes, religious minorities, oppressed nationalities or female gender. These specific problems of oppression are as much part of their existence as are the general problems of exploitation. In fact the two often mesh together in potentially explosive combinations of super-exploitation.

For instance, in the coal mines, the workers who do the manual jobs of filling and pushing the tubs are the only piece-rated workers, the skilled and semi-skilled workers being time-rated. By the device of piece-rating not only are these workers forced to be their own supervisors, but in being pushed to maximise earnings they are also encouraged to ignore safety precautions. As an example of this, though safety regulations specify that water should be sprayed after blasting, the management saves money and reduces production time by not spraying water and the piece-rate system forces the loaders to go in while the air is still full of the particles and gases from the explosions. Spending the most time at the mining face, the loaders and trammers (the two groups of piece-rated workers) form a proportionately larger number of the victims of mining accidents. Overworking in order to maximise their earnings, the piece-rated workers may often earn more than their time-rated counterparts, but they have shorter working lives.

Adding to this condition of extreme exploitation is the fact that more than 95 per cent of the piece-rated workers are from

the down-trodden sections of society-a majority are dalits and adivasis, while the rest are from the backward castes. including those of the Muslims. The timerated workers, unlike the piece-rated workers, are on the whole from the upper castes. The piece-rated workers are rarely given a chance to enter the time-rated ranks. If injury prevents them from doing the heavy manual labour, they are unceremonlously cast away. The caste divide is kept intact both in the work place and in the residential bastis, organised on caste basis. In Dhanbad, as an expression of the relatively greater deprivation experienced by these workers, the 'piecerated workers' union' has been formed.

Workers are part of familles. The working class includes not only those who work in the factories and mines, but also those who toil at home. Consequently the problems, exploitations, and oppressions faced by female workers, whether in the factory, at home or outside, are as much part of the problems of the working class, as those of the male workers.

Switching the struggle from the economic to the political, then, is a matter of exposing and taking up the varied forms of oppression and exploitation. Caste, religion, nationality and gender oppression are some of them. The issues may affect all workers, or they may affect a section of the workers. But though some may directly relate to only a section of the workers, they are, or should be, of concern to all workers. What is needed is to link all of these sectional issues and relate them to the general struggle for democracy. At times the issues may be of direct concern to some section of the workers; at times they may be of concern as part of this general struggle for democracy, e g, support to the struggles of oppressed castes and nationalities, to peasant struggles and so on. Taking up these varied problems can enable the workers' movement to advance, while avoiding struggle on currently unfavourable grounds.

The immediate gains made by trade union struggle are reversible. An industrial crisis, as in jute, can lead to many of the gains of earlier struggles being lost at one stroke. The real gains of the trade union movement, then, lie not in these immediate benefits, but in the growing strength and consciousness of the workers. It is these gains which have to be preserved and built upon by taking up appropriate forms of other than economic struggle. i e, political struggle, when the employers are on the offensive. To go on strike when the employers want a lock-out is, at best,.. foolishness; at worst, and more likely so, it is treachery on the part of the trade union leaders.

## **Exchange Markets Stable**

The dollar exhibited considerable resilience in the foreign exchange markets in February and, as monetary authorities followed policies designed to foster growth and stabilise exchange rates, international interest rates edged downward. The Reserve Bank's exchange rate policies continued to be concerned with maintaining a stable rupee-dollar parity rate.

ON the world foreign exchange markets the dollar displayed considerable resilience and ruled steady in February as a result of the announcement that the US merchandise trade deficit had declined to 12.21 billion in December 1987 from 13.21 billion in November. After the announcement the dollar surged to yen 131.95. The dollar's rise was checked by Japanese export companies and corporate investors. The Japanese trade surplus was announced on February 15, which also caused the dollar to weaken. The dollar's resilience encouraged the Federal Reserve Board to relax its monetary stance in the face of the still uncertain outlook for the US economy which has been characterised as neither strong nor sluggish. The stance of the US monetary policy presently seems to be aimed at avoiding recession rather than at dollar stability. The accommodative monetary policy was reflected in the easing of euro-dollar interest rates. The deutsche mark hardened against the dollar from 1.6915 to 1.6890 but weakened against the pound sterling to 2.9904 from 2.9644; vis-a-vis yen it depreciated from 76.38 to 76.05. The pound sterling and yen ruled firm against the dollar and deutsche

Concern over the consequences of excessive demand triggered a ½ per cent hike in the commercial bank base rate in the UK to 9 per cent at the start of February. The firm tone of the yen notwithstanding, the euro-yen interest rates stabilised around 4½ per cent for deposits with a maturity of three months. The long-term prime rate and the discount rate respectively stood at 5.5 per cent and 2.5 per cent. Higher growth in money supply and the strength of the domestic economy

have countinued to limit the scope for any easing of monetary policy in Japan. The French franc weakened against all the important currencies. In relation to the DM the currency fell to 3.3854 from 3.3722 in the previous month. As a result of the franc's somewhat weaker tone the Bank of France maintained its two key official rates, viz, money market intervention rate and seven-day repurchase rate at 71/4 and 7¼ per cent which were in force since January 25, 1988. The Swiss franc depreciated against the dollar from 1.3817 to 1.3900 and against DM from 0.8168 to 0.8230; it also eased against the pound. Italian lira lost against the DM and sterling prompting the Bank of Italy to engineer a rise in the euro-lira interest rates without changing its discount rate 12 per cent. Dutch guilder firmed up against DM and dollar. The exchange rate movement of key currencies against the dollar is given in Table 1.

The exchange rate policy of the Reserve Bank continued to reflect a concern to maintain a stable rupee-dollar parity rate. The external value of the rupee against the dollar and DM was less unstable than that in relation to the pound and yen, during February as can be seen from Table 2. Over the month, on an average basis, the rupee-sterling parity rate rose by 8.1 per cent; its rate value relative to the DM and

TABLE 1: EXCHANGE RATES (Average of daily quotations)

•	January 1988	February 1988	Direction of Change over the Month (Per Cent)
£/\$	1.7995	1.7581	+ 2.4
\$/DM	1.6555	1.6969	- 2.4
\$/French Franc	1.3482	1,3919	3.1
\$/Yen	127.87	129.18	-1.0

TABLE 2: TRENDS IN EXTERNAL VALUE OF RUPEE (Average for the Month)

	February	February January	February	Variations over the	
	1987	1988	1988	Month Year	
S/Rupee (middle rate)	13.0387	13.0259	13.06777	-0.2 (-0.7) - 0.	
DM/Rupee (buying rate) Yen/Rupee (100 yen buying	7.1429	7.9113	7.6864	+2.9 (-0.2) 7.1	
rate)	8.4962	10.2249	10.0883	+1.4 (-1.8) -15.	
E/Rupee (middle rate)	19.9475	24 8316	22.9614	+8.1 (+0.2) -13.	

Notes: Figures in brackets relate to the change in the previous month.

TABLE 3: INTERNATIONAL INTEREST RATES (London Inter-Bank Offered Rates—LIBOR)

Currency	1-Me	1-Month		3-Month		6-Month	
		F	'j '	F	J	F	
US \$	6.812	6.813	6.937	6.875	7.015	7,000	
DM	3.250	3.438	3.375	3.438	3.421	3.500	
£ stg	8.562	9.000	8.812	9.375	9.000	9.500	
Yen	4.187	4.438	4.250	4.313	4.250	4.313	
S Franc	1.312	1.563	1.875	1.875	2.500	2.313	

Notes: J = January 29, 1988; F= February 26, 1988.

TABLE 2A: FOREIGN EXCHANGE RATE—HIGHEST AND LOWEST (Foreign currency unit Rs)

		Buy	Buying		ling	Middl	e Rate
		Highest	Lowest	Highest	Lowest	Highest	Lowest
JS \$	February 1988	13.0890	13.0039	13.1354	13,0412	13.1177	13.0225
February 1987	13.1406	13.0039		_	-	_	
Deutsch Mark	February 1988	7.7340	7.6278	-	_	_	_
Segrecii Istat K	February 1987	8.5470	8.4531			_	
00 yen	February 1988	10.1626	9.9800			_	_
oo yen	February 1987	8,5470	8.4531				
Pound	February 1988	23.0601	22.7599	23.1401	22.8399	23.1000	22.7957
round	February 1987	20.1601	19.7601	20.2400	19.8400	20.2000	19.7496

yen appreciated by 2.9 per cent and 1.4 per cent respectively. The rupee-dollar rate declined fractionally by 0.2 per cent. In February 1987 the rupee had been allowed to depreciate against all the currencies, particularly against the pound, yen, and DM. The Reserve Bank altered the rupee sterling parity 12 times during this February as compared with 10 times in the preceding month.

International interest rates edged downward at the start of 1987 as monetary authorities in most countries followed policies designed to foster growth and stabilise exchange rates. However, fears of inflation induced a change of trend in the US towards the end of March. Japan and other European countries followed soon. The easing of monetary policy in the aftermath of the stock markets heralded a change of direction. Interest rates remained by and large subdued in the first two months of 1988. Table 3 presents data on the London Inter-Bank Offered Rates which could be regarded as the pace-setter for interest rates in the international money market. It is evident that compared with levels a year ago, international interest rates ruled firm towards the end of February.

## Left Front's Scheme for Modernising Health Care: Ill-Conceived

Sujit K Das

While there is a definite need to improve and modernise health care facilities in West Bengal, the Left Front government's proposal to hand over sick state hospitals to NRIs is hare-brained and, politically, indicates a dangerous trend.

FEW took it seriously when chief minister Jyoti Basu, in a routine ceremonial address to a doctors' conference six months ago, called upon industrialists to take over a few 'sick' state hospitals. It was rather taken to be one of the gimmicks enjoined by the Left Front (LF) government from time to time to ward off persistent attacks on its much-harangued health administration. Recently, the health minister has taken over from where Jyoti Basu left of. Issuing a formal policy declaration that the LF government has decided to hand over a few state hospitals to the private sector, the health minister disclosed that the government has actually invited, for on-the-spot examination a few nonresident Indians (NR1) who are interested in investing foreign exchange to offer modern sophisticated medical care. Later the minister laid down the rationale and the terms of the new policy: (a) The administration of some government hospitals has deteriorated and is beyond redemption, (b) the standard of medical care in West Bengal has gone down and patients needing complicated and modern therapy are forced to seek such care in Madras, Vellore, Delhi, Bombay, etc, entailing high cost and trouble, and hence modern sophisticated diagnostic and therapeutle facilities should be developed here, (c) the state exchequer does not permit adequate investment for such development and therefore the private sector should be coaxed, and (d) private entrepreneurs will be required to install upto-date medical technology and to reserve

20 per cent of the beds for free treatment.

The health minister has constituted an expert committee for negotiating with the entrepreneurs and for the smooth operation of the hand-over. A few NRI teams and a big industrialist have since then inspected the proposed state hospitals which include a newly constructed building capable of accommodating 500 beds, in a posh locality.

This scheme has expectedly come in for severe criticism by Health Service Association (HSA), an organisation of government inedical officers and several health action groups. Medical care and public health belong to the State List (Seventh Schedule, Indian Constitution) and it means that the provincial government is solely responsible for providing medical care to its citizens. This is one area where LF's earlier attempts to blame the central government for utter failure of health administration back-fired and earned ridicule. Malpractice and indiscipline in the hospitals have attained scandalous proportions and even the ruling circles including ministers do not mince words in castigating the health administration. Indiscipline and neglect have created such a mess that the frustrated the chief minister often remarked that 'there is no administration in the health department'.

From the very beginning of its assumption of power in 1977, LF government's health administration has drawn public attention. Allegations of neglect causing death, episodes of violent hooliganism in the hospitals, malpractice, bribery, thefts,

etc. have found a place in the newspapers almost daily. Agitations of junior doctors and senior doctors come up with predictable regularity. Several commissions of inquiry temporarily assuaged public sentiment but produced little in the way of improvement. In the context of such tension-ridden atmosphere, the leading partner of LF, CPI(M) took over the health portfolio from RSP in 1982, but the situation has since worsened. Zealous attempts to secure the loyalty of the employees for the ruling party by misusing governmental power has actually alienated doctors and health workers who have chiefly been instrumental in exposing the misdeeds of the government. The new health minister, Prasanta Sur, took over in 1987 and vowed that come what may, he would restore discipline in the health department even if it cost him the ministership. Sur's declaration and his zealous tirade against the recalcitrant doctors have been welcomed by almost all sections of the citizenry. Newspapers daily covered his acts of pulling up negligent employees, enforcing attendance rules and restoring cleanliness in the wards. Now after one year of the new administration, disillusion has set in. Negligent doctors and health workers have been allowed to go scot free, favouritism and nepotism have come back and party control over appointment, transfer and promotion has been restored. The squalor, malpractice, neglect and indiscipline in the hospitals has continued. It is against this background that the LF government has extended the invitation to private entrepreneurs to take over a group of government hospitals.

#### FINANCING MODERNISATION

The provincial government's inability to finance modernisation of state hospitals is a matter involving centre-state relations and calls for political debate. So long as this question of respective financial responsibility of the centre and the state is not settled satisfactorily, a government cannot remain indifferent for long to public demands in a democratic set up. The poor quality of medical care in the state hospitals is an undisputed fact and pressure on the government for improving standards, is strong. In this context, attempts at modernisation are rather welcome.

But what is exceptionable is the lack of policy, planning and priorities that is apparent in LF's prescription. In the course of 11 years of its administration, the LF doggedly resisted the demand for a definitive health care policy in the state. The old ad hocism of the Congress regime has continued resulting in perpetuation of troubles and patchwork remedies. Only

one policy direction that the Front leaders are never tired of declaring is that their sim is to provide and extend relief for the poor people. In this context, promotion of high priced modern medicare at the cost of state infrastructure appears to be a reversal of this oft-repeated earlier stand. NRI or private run hospitals will actually function like upper class nursing homes catering to affluent section of the public. particularly the clientele of the corporate sector who get the medical costs reimbursed by the employer. Even the provision of 20 per cent free beds is an eyewash. Such provisions are already there in a few nursing homes which have secured taxexemption for their imported diagnostic equipment with this stipulation, but in practice the poor never got to first base; the nursing homes are merrily making money on those machines. The critics of. the regime say that the bargaining term of 20 per cent free provision is intended to serve the VIPs in the power structure; such speculation cannot be dismissed offhand in view of the fact that the state government has been hard pressed for providing top-level medical care to the VIPs of the ruling parties; the facilities in the traditional VIP wards of the state hospitals having proved inadequate, the ministers and political leaders have lately taken to seeking medical service at the leading nursing homes—at government

At the political plane also, this open promotion of privatisation indicates a dangerous trend. The LF's policy of collaboration with multinationals and indigenous capitalists for setting up new industries has been explained away by the thesis that, at the stage of democratic revolution, the organised working class is called upon to hasten and complete the process of industrialisation and capitalist development. But the implications of the hospital scheme are different. Handing over of state hospitals to the private entrepreneurs implies an admission, on the part of the government, of its inability to administer. In certain sectors, privatisation cannot be an alternative for inefficiency or incompetence of the government administration. Consider what may happen if law and order is handed over to private enterprise on this plea.

It is not suggested that development of commodity medical care be resisted or that the government should look down on such enterprise. In the so-called mixed economy obtaining in our country, both free-care in the state service and payingcare in the market exist. It is only fair that free-care in the state service be reserved for indigent people and market-care be expected to serve the affluent ones. But the anachronism that prevails in the Indian society is that the affluent people, enjoying almost exclusive benefits of market-care, also have a claim in the free state service and actually share it; in fact, the lion's share is usurped by the socially powerful section in the rural area. In this context, development of commodity medicare will really ease the burden of the government and be of some help to the poor, if the affluent people are debarred from claiming free service and people living below a pre-determined level of income are given exclusive entitlement to free state service.

The state of the s

In fact, the Health Services Association has been making such demands for long. the principal issue being elimination of the privilege of dual benefit enjoyed by the privileged section of the society so that the facilities for the under-privileged may actually reach the target. The Administrative Reforms Committee, set up by the LF government under the chairmanship of Ashok Mitra, the ex-finance minister, endorsed this demand and recommended that "The eligibility of free treatment, as well as free supply of medicines, should be reviewed... Except in cases of emergency, those availing of the facilities of the Employees State Insurance Scheme, the Central Government Health Scheme, the Railway Service Health Scheme, etc. should be precluded from availing of the facilities which the state govern-ment hospitals provide." Following the age-old tradition of the Congress, the LF ignored the recommendations of its own committee.

Moreover, it is not necessary that commodity medicare would have to be developed at the cost of public property. Private hospitals, i e, big nursing homes have recently been springing up in all metropolitan centres. Hospitals are gradually developing into an industry with corporate ownership. Last year's turn-over of Apollo Hospitals Enterprise Ltd in Madras of Rs 8.34 crore with a net profit of Rs 1.02 crore have encouraged the chairman to declare to the shareholders that "your company has proved that quality medicare can be successfully combined with good financial performance". Under the compulsion of the inexorable law of demand and supply, the hospital industry will come up and develop to sell up-to-date medical technology. True, the entrepreneurs try to extract as much concession as they can from the government particularly in the form of tax-exemption on the plea of both industrial development and humanitarian service. But nowhere else, have state hospitals been handed over to the private sector.

The LF's sudden burst of liberalism towards private entrepreneurs is further inexplicable in view of its antagonism towards efforts to promote a health insurance scheme. For the last seven years, a group of doctors in Calcutta have been trying to introduce a health insurance scheme suitable for the middle-income group. This venture was launched under co-operative ownership and one nationalised general insurance company agreed to provide insurance cover. But the LF government's co-operative and health departments persistently refused to cooperate with this effort and rejected all requests for co-operative loan; offer of joint management was also declined and all proposals for propagation of the scheme were ignored. It may be mentioned that in European countries, the health insurance system is doing a great job in providing high cost medicare to middle income group who otherwise could not have afforded it; in UK, health insurance is the fore-runner of the nationalised health care service.

All this concern, however, is for the benefit of urban people. The hospitals earmarked to be handed-over are situated in and around Calcuta. In terms of drugs, equipment and personnel, the rural hospitals are worse off. The rural affluent who are no less vociferous in demanding medical care, cannot look forward to NRI's blessings. What will happen to the money now being spent on the 'sick' hospitals? If and after the hand-over takes place, will this government fund be shifted to rural hospitals? That would perhaps be the only blessing in disguise of this illconceived scheme.

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1 1

### Unlike Moliere's Hero

D R Khatkhate

The world debt problem has to be seen as a part of the world monetary system and as such its solution should be conceived in terms of wholesale reform of the monetary system itself.

WHEN the third world debt issue came to a head in 1982, there was for a while a loss of nerves on all sides. The storm was weathered through intervention by the International Monetary Fund, which helped to spread the maturity of Latin debt via rescheduling and inducing the creditor banks to increase some lending. For a while, the crisis seemed to have abated and there was all round euphoria that the debt problem was on the track for a solution. A case by case approach was elevated to the high level of a sacred doctrine. But soon the world financial scene was overtaken by the shattering crisis in Mexico, Brazil, Argentina and Chile which were the giant borrowers in the world's money and capital markets. There were signals that the Litin debior countries might stage a coup by joint default. As a consequence, there were stray thoughts about debt forgiveness which was an alias for discount on debt. However, this talk was denounced by the spokesmen of the industrial countries and anonymous non-spokesmen of the international organisations among which the World Bank figured most prominently.

Now things are totally reversed. Right from James Baker, the US secretary of state down to the director of a small town creditor bank, all changed their tune, slowly, caunously but unequivocally. Unlike Moliere's hero, they are all talking prose, knowing full well that it is not poetry. There is as a result a bandwagon effect. There are now flying around serious proposals by serious and responsible people from the academia, private research institutes, ex-staff members of the World Bank, representatives of the creditor banks and officials of some of the developing countries. Latest to catch the eye are the ones by James D Robinson III, president of the American Express Company, and Arjun Sengupta, Indian executive director of the IMF. The first of these was aired at the Overseas Development Council meeting held on February 29 in Washington DC and the second has been circulated informally among the World Bank and IMF bureaucracy, officials of the third world and the industrial countries. Both of these proposals, though built up on other schemes by Percy Mistry and senator Bradley, are carefully thoughtout, based on sound judgment of the prevailing international economic situation, well related in analytical terms to the working of the international monetary system and formulated in concrete operational details.

The main principle underlying both these schemes is a shared partnership in discount on loans both by the creditor banks as well as the debtor countries. They have two common features, which make them acceptable to both the sides involved. First, there is envisaged a guarantee attached to the debt acquired by an international agency, though the form that guarantee takes is different. In Robinson's schema, the existing debt of the participating borrowing countries acquired at a discount by the proposed Institute of International Debt and Development is subordinated to new financing that is projected to be given by the creditor banks after the scheme is implemented. Under Sengupta's proposal, the principal of the bonds issued by the agency which he identifies with the IMF in exchange of loans from the creditor banks will be fully guaranteed by the industrial countries. Though the shape of the guarantee under these two schemes varies, it is underwritten by the industrial countries. Second, the discount on third world debt will be passed on to the debtor countries fully under Robinson's scheme and partly under Sengupta's provided these countries commit themselves to pursuing economic reform policies described as market and growth oriented, whatever that may mean.

The question is whether these institutional arrangements, imaginative and well intentioned as they are, will be workable at all. Both involve cost-sharing by the industrial countries in the event of failure of policies by debtor countries to improve their economies. Until now the industrial countries avoided sharing the burden that will ensue from co-ordination of their macroeconomic policies. Will they readily plumb for schemes which will involve potentially even greater costs? Even assuming that the industrial countries become suddenly altruistic for some reason or the other, will the adjustment policies in borrowing countries motivated

by their desire to benefit from discounts on their existing debt succeed to the point that they will achieve sustained growth and economic viability? It should be by now clear that a symmetry in adjustment policies in both borrowing developing countries and the non-borrowing industrial countries is indispensable, more so today where international money and capital markets are well integrated. If adjustment in debtor countries is through liberalisation of policies and market prientation of their economies, the adjustment in surplus industrial countries or reserve currency countries has to be effected through co-ordination of their macroeconomic policies. If thus a symmetrical relationship in adjustment policies is not maintained, economic reform of whatever nature and magnitude in debtor countries will simply not succeed. Adjustment policies in all countries, developed and developing, surplus or deficit, are indivisible like peace. However, the experience in the last two years shows clearly and convincingly that the desiredco-ordination in macroeconomic policies is not forthcoming in a degree essential to assist world economic growth and trade.

This means that the world debt problem should be seen as a part of the world monetary system and as such its solution should be conceived in terms of wholesale reform of the monetary system itself. We may have been constantly talking prose, but it is addressed to a deaf audience.

#### PIL

POLYOLEFINS INDUSTRIES (PIL) has performed well during 1987 with increase in sales from the previous year's Rs 138 crore to Rs 150 crore followed by advance in gross profit from Rs 15.72 crore to Rs 22.01 crore. After necessary provisions, net profit is Rs 10.26 crore against Rs 7.07 crore. The board has recommended issue of bonus shares on a one-for-two basis and a dividend of 28 per cent including a special dividend of 5 per cent to mark the company's entry into the silver jubilee year. Last year the company, had pald a dividend of 23 per cent.

The plant to produce pre-vulcanising inhibitor (PVI) was commissioned during the last quarter of the year and commercial production has commenced. The plant to manufacture ethylene vinyl acetate copolymer (EVA) is under installation and is expected to be commissioned by the first quarter of 1989. The company has received a letter of intent to manufacture chlorinated polyethylene (CPE).

# India after Four Decades of Independence

Pradhan H Prasad

Hopes were built in the fifties that development in India would be achieved without violent struggle against semi-feudalism and neo-imperialism. But this possibility has gradually diminished.

INDIA after four decades of independence finds itself in a more difficult position (in the context of overall development) than immediately after the end of colonial rule. In a large part of Indian agriculture the outmoded semi-feudal mode of production still persists.1 The regional imbalance is more pronounced today than then, measured either in terms of per capita income (Table 1), or in terms of agricultural growth.2 Because of the lop-sided and inadequate investment and inappropriate choice of technique in the economy, the climate for industrial growth is hecoming increasingly difficult. The rate of growth of dentand for industrial products in the internal market has been decreasing of late. Even during nineteenth century, as Bagchi has said, the feeble beginnings of modern industries were "not because of any absolute shortage of finance for investment in the hands of the tiny native capitalist class or in the hand of the foreign capitalist class. It is simply that under the policy of free trade and with an economic environment where mass poverty was endemic, it was not profitable to invest in domestic industry for supplying the home market!"3

The situation is not very different now. Mass poverty is endemic even today. The slow and uneven growth of agriculture, which is the occupation of about 70 per cent of Indian workers, not only adversely affects the growth of rural income but operates as a drag on increase in effective demand for industrial goods. The increasing paucity of public funds for developmental activities, because of proportionately increasing demand for non-developmental expenditure mainly for internal security and defence, have resulted in slowing down public investment particularly in railway, electricity and other infrastructures.4 It had a two-fold effect. On the one hand, it gradually dampened the growth of demand for industrial goods. On the other hand it has resulted in increasing searcity of essential intermediate goods (which is needed for industrial expansion) like power, coal, petrol and petroleum products, steel, cement, etc. While the increasing expenditure on police and paramilitary force is caused by increasing internal violence (because of uneven development bringing the ever-increasing area under the vortex of non-development and increasing the concentration of economic power), the increasing defence expenditure is caused by imperialist-induced progressive stepping-up of the arms race in the sub-continent.

Though free India went in for importsubstituting industrialisation, it could not shake off the imperialist-induced technological syndrome. Bagehi has analysed this in great detail and he says: "One of the consequences of the iron grip of the firms in the advanced capitalist countries on the products characteristically taken up in the late stage of import substitution is that the overt payments to the parent firms in the form of royalties, technical and consultancy fees, dividend remittances and under-cover payments in the form of inflated transfer prices for various components and materials are rather large. Very often a rapid rate of impart substitution in such products leads to a risc in the ratio of imported intermediate imports to net value added in industry and aggravates the balance of payments crisis instead of alleviating it. In the current situation, most third world countries find that the more they try to industrialise through import substitution, the more they become dependent on advanced capitalist countries for technology, product development and managerial expertise?"5 He further adds: "The multinationals wanted to protect their markets in the third world, and the easiest method of doing that was to set up production facilities in such countries behind tariff walls. The willing collaboration of native capitalists in the host countries afforded them the necessary political protection."6 The very objective of import-substituting industrialisation got defeated and instead of easing the demand of foreign exchange, it stepped up such demand. "As a result of the factors mentioned above, although the outputs of particular consumer durables in individual third world countries grow very fast when they are first introduced as import substitutes, they also tend to taper off quickly. Furthermore, the model changes of consumer durables mostly originated abroad, and most firms producing such durables in the third world find it unprofitable to produce all the components of any model at home. Most of them also have to pay either their parent firms or their foreign collaborators, for the know-how, patented processes and so on. As a result, import substitution along these lines causes a drain on foreign exchange earnings, and in fact aggravates balance of payments crises."7

This not only led to increasing the capital-output ratio in the economy over time but it also led to increasing pressure for more and more imports of intermediate goods. The country, therefore, finds itself in the debt trap of international governmental and other agencies. Every Indian is carrying a burden of about Rs 360 worth of foreign debt today. Though the big industrial bourgeoisie went ahead with protectionist policies, it could not resist the policy of foreign collaboration by Indian industrialists on an increasing scale and thereby tended to become more and more a dependent capitalist strata if not compradore. 8

The early years of independence also saw the emergence of the regional bourgeoisie in a significant way in some states. But as the climate for industrial growth became increasingly difficult, the monopoly houses managed to create the logic and pressure for restrictive policies such as increasing bureaucratic control and centralisation in the economy. These came in conflict with the interests of the emerging regional bourgeoisie which led to the emergence of powerful regional parties with linguistic, ethnic and communal ethos and the increasing demand to decentralise polity.

A section of the merchant capitalists always had strong link with imperialist trade and financial interests. As protectionist and restrictive policies gained momentum investments also increased in smuggling and clandestine trade. In border areas, the smuggling and narcotic trade became an attractive avenue of investment of surplus value in the depressed industrial and trade investment market. Even in some of the border areas with low-development (for example in some border districts of north Bihar) the rural oligarchy of the semi-feudal set-up has begun to collaborate with smugglers. This probably marks the beginning of the semifeudal neo-imperialist nexus in India. Though, of late, the big industrial bourgeoisie has mounted pressure against this which is reflected in recent large seizures of smuggled and contraband goods, the knowledgeable sections say that this is only the tip of the iceberg. This section also favours greater regional autonomy because of their local power bases. Aided and abctted by imperialism, this amalgam of interests favouring greater regional autonomy, at times and in some areas, develops into secessionist movement. The extreme case is that of Punjab today. The dependent industrial bourgeoisie with increasing levels of foreign collaboration, the increasing inroads being made by multinationals in the Indian economy, merchant capital's linkages with the imperialists, the bureaucratic-imperialists nexus and huge foreign debt trap make India's status far from that of a bourgeois democracy if not a near semi-colony.

The other aspect which is relevant in this

context is the question of development of human capital. There was a considerable dose of learning by rote (which negates scientific outlook) in the education system in British India. The situation in this regard worsened in free India. It has rightly been said that "the methods of teaching are also quite outmoded. Quite often, these encourage memorising the contents of books and repetition of the expected answers." It has been further said: "The present approach to teaching which lays emphasis only on attendance and memorising can neither retain nor enrich the pupils." The reasons were many.

The majority of the national leaders on the eve of independence, though educated, were a-intellectual. Therefore, the expansion of education was treated simply as a populist measure, and consequently the expansion of Institutions and pupils vastly exceeded the trained and well-equipped teachers and bare mlnimum facilities. <sup>12</sup>

The teacher-pupil ratios were allowed to decline. Even the bare minimum infrastructural support was denied to the large bulk of educational institutions. In many places, teaching in science subjects at secondary level is done even now without laboratories and experiments. Standards of examinations went down considerably. It has been authoritatively maintained: "No description of the contemporary educational scenario can be complete without a reference to the examination system since it decides, not only the fate of students, but also the content, orientation as well as the quality of education at all levels. Apart from evaluating examinees on the basis of rote learning and memorising, their annual periodicity creates an environment in which students tend to while

away their time for the most part of the year and gear themselves to work for the last three or four months. For obvious reasons, lack of continuity in application results in the building up of unbearable pressures at the end of the year which find expression in the boycott of examinations, leakage of question papers, mass-copying, payment of bribes to evaluators and other unethical practices. Consequently, degrees and grades do not generally command credibility as a whole with the public as well as employers in the public and private sectors and the whole process of higher education has become warped, disoriented and disfunctional, producing a large number of unemployable young men and women." 13 All these give a boost to learning by rote.

This is partly responsible for indiscriminate import of technology and failure to internalise foreign technology. In the prevailing feudal ethos it promoted fundamentalist outlook rather than the scientific outlook. Even the Left in India, by and large, failed to fulfil its historic task of providing political education to the masses on scientific lines. Many of the leaders from the Indian Left were themselves victim of rote learning practices, mostly quoting from their respective 'scriptures'. It is this failure of the working class movement getting bogged down mainly with economism. The youth in India today, therefore, show greater religious fervour, fundamentalist attitude and nearness to linguistic, ethnic and communal identities than ever before. Secular thinking (not merely lip service) and scientific outlook (not merely knowledge of science subjects) are on the decline which have historically been found to serve feudal, fascist and imperialist interests.

TABLE

	Pe	r Capita 1	nconie at C	urrent Pric	es in Rupe	ees
States	1949-50	1960-61	1965-66	1970-71	1980-81	1984-85(P)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1 Andhia Pradesh	229	275	,387	585	1358	1996
2 Bihar	200	215	332	402	928	1385
3 Gujarai	•	362	498	829	1928	2997
4 Haryana	••	327	450	877	2325	3296
5 Karnaiaka	186	296	448	641	1453	2047
6 Kerala	234	259	380	594	1382	2196
7 Madhya Pradesh	255	252	298	484	1183	1716
8 Maharashira	273*	409	534	783	2232	3232
9 Orissa	188	217	329	478	1101	1534
10 Punjab	334*	366	562	1070	2681	3835
11 Rajasthan	173	284	373	651	1220	1838
12 Tamil Nadu	229	334.	403	581	1324	2070
13 Uttar Pradesh	262	252	373	486	1272	1764
14 West Bengal	353	390	532	722	1644	2485
Indla .	246***	306	426	633	1558	2344
Coefficient of variation between						
states	.2232	.1999	.1921	.2703	.3145	.3104

Notes:

- Gujarat and Maharashtra
- \*\* Haryana and Punjab
- \*\*\* Refers to 1950-51
  - (P) Provisional

Source Column (2), Raj K N, Regional and Cost Factors in India's Development; and other columns, Central Statistical Organisation, Government of India, Estimates of State Domestic Product.

It is here that history comes to our aid, None of the colonies of the early 20th century, the bulk of which constitute the third world of today, has yet achieved a bourgeois democratic status. Some, of course, have gone beyond and have achieved a socialist status but the transition has always been a bloody, and often protracted, struggle. In fifties of the century, hopes were built up that development in India would probably be achieved without violent struggle again at semi-feudalism and neo-imperialism. But this possibility gradually diminished. There is no evidence which even remotely suggests the possibility of India getting out of the cogmire of imperialist resource squeeze and imported-technology syndrome. The ruling classes have by now sunk deep into this and probably do not possess sufficient strength to take a vigorous anti-feudal and antiimperialist stand. It is evident from the fact that while the government is involved in armed confrontation with the imperialist backed secessionist groups in Punjab, it is unable to resist the increasing influence of imperialism on its policy formulations.14 On the other hand we find that the poor and poor-middle peasantry are pitched against the government in their anti-feudal 15 struggle in Bihar.

#### Notes

- 1 Prasad, Pradhan H, 'Institutional Reforms and Agricultural Growth', Social Scientist, June 1986 and 'Towards a Theory of Transformation of Semi-Feudal Agriculture', Economic and Political Weekly, August 1, 1987.
- 2 Prasad, Pradhan H, 'Towards a Theory of Transformation of Semi-Feudal Agriculture', op cit, Table 2.
- 3 Bagchi, Amiya Kumar (1982), The Political Economy of Underdevelopment, Cambridge University Press, p 91.
- 4 Ahluwalia, 1 J (1985), Industrial Growth in India, Oxford University Press, pp 72-111.
- 5 Bagchi, Amiya Kumar, op cit, p 128.
- 6 lbid, p 128.
- 7 Ibid, p 130.
- 8 Ibid, pp 190-6; see also Goyal, S K (1979), Monopoly Capital and Public Policy, pp 77-8, 80; Reserve Bank of India, Survey Reports on Foreign Collaboration in Indian Industry, 1968 and 1974.
- 9 Gupia, Shaibal, 'Non-Developmeni of Bihar: A Case of Retarded Sub-Nationalism', Economic and Political Weekly, September 12, 1981 and 'Emerging Configuration of the Contradiction between Nationalism and Sub-Nationalism in India' Journal of Social and Economic Studies (ns), 3, 2 (1986).
- 10 Ministry of Education, Government of India (August 1985), Challenge of Education, p 35.
- 11 Ibid, p 38, see also pp 8-9.
- 12 Ibid, Chapter III
- 13 lbid, p 9.
- 14 See BM, 'Economists' Concern at Economic Policy Drift', Economic and Polltical Weekly, October 26, 1985, pp 1813-16.
- 15 See Pradhan H Prasad, 'Agrarian Violence In Bihar', Economic and Political Weekly, May 30, 1987. Semi-feudal mode of production saps the economic strength of a country.

### The South American Horror Show

Alok Rai

Garcia Marquez and Latin America edited by Alok Bhalla; Sterling Publishers, Delhi, 1987; pp viii + 186, Rs 150.

Latin American Writers: A Bibliography with Critical and Biographical Introductions by Alok Bhalla; Sterling Publishers, Delhi, 1987; pp vi + 174, Rs 150.

LATIN AMERICA is a distant place, another country. For most of us, the note on the inside cover of one of the two books under review says somewhat ambiguously, the tortured continent "lies outside the centres of discourse and power". Amen. It is indeed true that our mournful, modest democracy—give or take a few captured polling booths, a few deaths, mysterious, murderous 'encounters' in the jungles of exploitation and misery—still seems a far cry from the extravagant corruption of the State of Big Mama in which, as Marquez told us unforgettably, her 'invisible estate' comprises, among other things:

The wealth of the subsoil, the territorial waters, the colours of the flag, national sovereignty, the traditional parties, the rights of man, civil rights. historical records, free elections, beauty queens, transcendental speeches, huge demonstrations.

However, any consolation that we may derive from this apparent distance is likely to prove fragile. As sensitive observers of the Indian scene have known for some time, the Latin American phenomenon of the necessary and inevitable prioritization of showy form over stubborn and irredeemable substance is indeed the shadowy other that haunts our own shabby, pathetic attempts to camouflage degrading realities behind the glamour of 'festivals', politicians' fatuities, electronic shortcuts to the millennium. So, while we may praise the merciful lord for small mercies—small, and getting smaller some attention to the Latin American horror show will not come amiss.

In an obvious sense, the 'fantastic realities' of Latin American life beggar the imagination. Traditional realism arose in Europe in rough and variable correspondence with the processes of capitalism transformation. It is hardly surprising, therefore, that its subsequent development has been marked by the relentless embourgeoisement of its native societies. Its cultivation of nuance, its refinement of ever more minute aculties is quite capable of producing, be it said, works which span the range from exasperation to revelation. But it is clear that this aesthetic strategy-in shorthand, European realismappears inadequate to cope with the phantasmagoric extravagance, the sheer extremity of the Latin American situation. The kind of fiction which happens in civilised drawing-rooms, in which cultured and articulate people trade witty and profound observations is hardly adequate to countries in which the dawn discovers the nightly victims of death squads, in which armies massacre populations at the behest of foreign fruit companies and the grotesque has become the norm. Although Auden's words were written in the context of Thirties Britain, they are only too relevant to contemporary Latin America:

lt's farewell to the drawing-room's civilised cry,

The professor's sensible whereto and why, The frock-coated diplomat's social aplomb, Now matters are settled with gas and with bomb.

For the Devil has broken parole and arisen...

(There is, of course, another European tradition, that of Dickens and Dostoyevsky and Kafka, and it is significant that some Latin American writers also acknowledge its influence, but this should not in any way mitigate our admiration for the imaginative leap, the quantum jump that produces the exuberantly fantastic realism of Latin America.)

Another, supposedly alternative, tradition is that of socialist realism, so-called. However, it is difficult not to endorse the gratitude which the editor of these two volumes expresses for the fact that these Latin American writers, forced to cope with unimaginable realities, have shunned "the dull formulas of socialist realism" and responded brilliantly, precisely, with imagination. It is, after all, too late for sentimental anger, and certainly too late, in Latin America, for the obligatory hope that gives socialist realism its upbeat, 'revolutionary' credentials.

Writing about Spain in the context of the Civil War, Orwell once expressed the opinion that due to the extremes of the social situation in Spain, due, in fact, to the stark polarisation of the situation there, the north-European preference for misty ambiguities and delicately shaded nuances could not survive in the Spanish sunshine: things were just too sharply defined. Of course, nuance Isn't the least of what gets killed in Spain—or, indeed, in Latin America and other extreme societies today. The villains are unmistakably villainous, the misery grindingly, untransfigurably, obvious, the rights and wrongs

writ too large to be camouflaged in rhetoric or ideology—and reality itself is consequently rendered incredible, melodramatic, black-and-white-in-technicolour, so to speak. One of the symptoms/effects of this social condition is the effective absence of a liberal intelligentsia. There are either 'official' intellectuals ('clerisy' or hacks according to taste) or bearded radicals fumbling with primitive weapons and 'simplistic' ideas in underground diasporas. The true domain of the liberal intellectual, the grey zones, the land of pro and con, of on-the-one-handon-the-other-hand-this gets increasingly encroached upon, both by the state and by the ambient misery, both by the state and by the people on whom it battens. (This is, let me say unreservedly, a pity.) If the death of nuance creates an inhospitable climate for liberal intellectuals, it is doubly inhospitable for what many of us, under the sway of liberal ideas, have come to recognise as 'literature'

In a recent provocation on the state of contemporary criticism, published in the London Review of Books of June 25, 1987. W J T Mitchell of the University of Chicago noted the fact that "the most exciting new literature comes from the colonies; the most exciting new criticism comes from the imperial centres". He then, briefly, floated the idea that "the geo-political relations between literature and criticisni [are] a kind of repetition of the economics of empire, the 'raw material' of imaginative literature flowing from the colonies to the home country, there to be processed by the industrial centres of cruicism". However, he soon shot that down. because, of course, the literature from the colonies and the ex-colonies-Borges, Marquez, Cortazar—can hardly be seen as "raw material". "...on the contrary," Mitchell writes, "it is likely to be sophisticated, self-reflexive, problematic, experimental, fully aware of the critical industry humming away at the imperial centre, and of many other things besides." Finally, he sees a harmonious and uplifting conjunction between post-colonial literature and what he calls "post-imperial criticism", seeking together "to build a new, more equitable civilisation out of the ruins of empire". However, while the 'innocence' of post-colonial literature is, mercifully, fractured, the 'innocence' of 'the critical industry humming away at the imperial centre" is, innocently, assumed. But, as the imaginative writres who, by and large, constitute Mitchell's sample testify with unmistakable eloquence, a large part of what they write (and what they write about) is determined by/carries the stigmata of a present and deepening imperialist relationship. The fancy footwork of 'post-imperial criticism', insofar as it seeks (or serves) to divert attention from that brute fact is, quite simply, enemy action. It is a part of that very

problem—of ideological subjugation—which it seeks to confront and transcend and, in one way another, clude. The creative impulse of the Latin American writers must be understood in relation to the stubborn and recalcitrant realities which they have, heroically, rendered narratable. The incautious or unguarded import of western critical categories can only have an anaesthetising or stultifying effect on our attempt to understand this crucial process. At the very least, that 'post-imperial' label has to be torn off, and the package— for it is a package—inspected very carefully indeed.

The question of the 'embarrassment' of liberal intellectuals in (and in the face of) third world-post-colonial-societies is too large to be tackled in an incidental, parenthetical fashion. However, cleaving to our immediate and present purpose, we may note the 'embarrassment' which some of the contributors to Bhalla's volume Garcia Marquez and Latin America feel in respect of the literature which they confront. Thus, in his The Shadow of Power: Dictatorship and Human Destiny in the Novels of Marquez and Carpentier, Keki Daruwalla invokes a formal analogy between the dictator and the author: "The phenomenon of one person controlling the destinies of a million offers tremendous imaginative possibilities. Between the dictator's whims and those of the novelist himself, the scope becomes limitless" (p 68). This, I'm afraid, makes Marquez and Carpentier sound like a bunch of Foucauldians playing post-modernist games, drawn to the phenomenon of 'dictatorship' because it may be seen as a metaphor for 'authorship' rather than because of its poignant cogency with respect to the agony of Latin America. When somewhat later, Daruwalla writes that "The plight of the people is as much ignored by the novelists as by the dictators" (p 78), one may well feel that he is driving his metaphoric correspondence a trille hard.

This 'embarrassment' is even more evident in Nissim Ezekiel's piece on 'Neruda as Archetypal Poet'. At one point, Ezekiel tries to bracket out Neruda's flagrantly, passionately avowed political beliefs:

Critics opposed to his politics who are admirers of his poctry cope with that situation in various theoretical and practical ways. It belongs to the larger area of the relation between literature and belief. In my view, the simplest and most effective principle is that belief may be independently judged without affecting literaray evaluation (p 85).

Now the relation between poetry and belief is indeed a vexed question—and one may well respond to Donne's ardour without simultaneously subscribing to his 17th-century view of man and his world—but in the case of poetry such as Neruda's, the belief can hardly be filtered out so easily. After all, to argue the case from the other side, can one really expect a Franco loyalist to respond to the rhythms of 'Explaning a Few Things'?:

and through the streets the blood of children flowed simply, like the blood of children.

Generals traitors: see my dead house, see Spain broken up...

In some obscure way, I suggest, the admiration of Lorca's poetry has to be earned, deserved: it is not accessible to those who find alien or deserving of apology—'mitigation', p 85—the political passion out of which it is fashioned. Ezekiel's difficulties are evident in his attempt to deal critically with these lines from Neruda:

Hunger feels like pincers, like the bite of crabs...

Hunger is a cold fire, Let us sit down soon to cat, with all those who haven't eaten; let us spread great tablecloths, put salt in the lakes of the world, set up planetary bakeries, tables with strawberries in snow and a plate like the moon itself from which we can all eat (p. 86).

"We ought not to", Ezekiel writes, "remind ourselves that Neruda was a communist, assuming that we are not communists ourselves... A capitalist may make a similar statement, even if in bad prose." Now, it seems to me that it is not some 'universal', 'archetypal' hunger that Neruda is writing about, but a very specific one, deriving precisely from capitalist, 'profit-maximising' arrangements for the allocation of food, within and between nations, and Neruda's 'communist' perspective is, right or wrong, very much to his point. (I would have thought, incidentally, that such 'hunger' would not be such an alien experience for an Indian, but for the aforementioned liberal 'embarrassment' in the face of social phenomena whose etiology lies in a crisis that liberal theory cannot (cannot dare to) comprehend).

Perhaps the best-known fact about contemporary Latin American writing is its resort to non-realist narrative modes in order to 'tell' its reality, its penchant for myth. The context in which this needs to be understood is, of course, the larger problem of narrativisation, particularly as it applies to dependent, colonised peoples and countries. It may help, for instance, in this context to think of myth as an alternative to history-even as we acknowledge that history, too, is inevitably informed by myth. Despite that, however, the resort to myth may be said to be over-determined in the case of peoples who have, for arguable but comprehensive reasons, been deprived of control over their history. To put it bluntly, since they cannot make history, they make myths. . However, one must not think of this only as a passive, defensive manoeuvre. The fact is that the attemp' to 'narrate' and so recapture the past is also, simultaneously, to proffer alternative explanatory frameworks for the present. Telling stories is part of the

political struggle for alternative (and competing and antagonistic) descriptions of an unacceptable present.

It is also, of course, a way of coping with—encompassing—a grotesque present which spills way out of, over and beyond the tidy moulds of bourgeois realism. How, to take a random example, can one hope to write naturalistically about a society in which there is a figure such as Marquez's Colonel, who waits for over half a century for a pension that never comes, but in the depths of his poverty, feels the need to dress up in such formal rags as he can scrape together because, he explains:

This burial is a special event. It's the first death from natural causes which we've had in many years.

The resort to myth enables the writer to escape from the real world of Gradgrindign sociology, into that scarcely less real world in which space-time, like light, bends under the gravitational force of too great, too 'extreme' an accumulation of misery and horror, degradation and death and a miraculous, ennobling but also strangely humiliating human persistence in the face of unimaginable adversity.

The excessiveness of extreme societies itsell creates special problems. The pedestrian option of the diligent accumulation of outrageous but also ultimately meaningless detail is obviously inadequate. What is required is an aesthetic strategy that can so tame the barbaric profusion of events as to recover, purposively, the shock of that harrowing reality which is also, alas, commonplace. The trick, somehow, is to retain the sense of a jungle while also paying due homage to the human hunger for formnot only or even most importantly in respect of the consumers of literature but rather, crucially, in respect of those fellow-creatures who are condemned to live their lives in those jungles of futile extremity.

Marquez's Chronicle of a Death Foretold, as Manabendra Bandyopadhyaya, 'A Detective Story Turned Upside Down', and Eric Mottram, 'Existential and Political Controls in the Fiction of Garcia Marquez', show, casts an odd, oblique light on the problem of narrativisation: in a word, how does one represent, in a narrative mode, a stagnant, stuck soceity, locked in archaic and selfreinforcing modes of reaction and response, lurching about pointlessly between the poles of violence and counter-violence? As Pablo Vicario observes in the novel, "There's no way out of this. It's as if it had happened already!' What appears like narrative naivete-the death foretold-ls, in fact, a subtle creative strategy. As Bandyopadhyaya shows, 'What appears at first as a simple tale of murder or the progress of a crime slowly but relentlessly carried out and exposed, through a series of interlocking interviews becomes an indictment of Latin American reality-and of la violencia, a not-always hidden principle which guides the life of the community."

That the impulse to mythopoeia springs

from a passionate commitment to reality rather than a desire to escape from it. whether into fairy tales or other universals. is sharply illustrated by a comparison which I have derived from Bhalla's excellent bibliographical guide to the riches of Latin American writing. Bhalla argues that Donoso's A House in the Country, written after the overthrow of Allende in Chile, although it bears a superficial resemblance to Golding's Lord of the Flies, is not really a Hobbessian meditation on the innate depravity of human nature. Donoso's "children are not inventing, as if for the first time, the rules of the game, they are imitating them. The novel is not a meditation on the nature of man, but an anguished witness to Pinochet's Chile and the enormity of suffering in it?"

There is an area of difficulty, both growing out of and linking up with the rejection of bourgeois realism and the cultivation of mythic structures, and I am grateful that Ashish Rajadhyaksha, Latin American Cinema: Political Cinema, both touches upon and illustrates the difficulty to which I refer. Let me confess at once that I am not equipped to discuss Latin American cinema, and I am merely lifting Rajadhyaksha's own descriptive/analytical categories in order to advance a larger argument that, I suspect, also has some relevance to the contemporary Indian scene. It appears, then, that radical filmmakers-filmmakers who seek to. challenge (and, hopefully, subvert) the existing structures of power-are confronted with two broad choices as regards filmlanguage: they can either resort to a sophisticated modernist idiom, fully equipped with reflexivity and non-narrative structures, etc, or, alternatively, they can seek to bend the available 'popular' language to their enlightened ends. In the first case, they risk losing their audiences, in the second, their political souls. Recoiling from this kind of poisoned choice, the filmmaker (in this instance) backs into an 'indigenist' position from which the undeniable fact of colonial violence magnifies until it envelops the whole of the 'metropolitan' culture, subsuming its real and significant differences in one, hated, melange: "... Renoir, go-go girls, the Sistine Chapel, Cocoa Cola, the Parthenon, and Michelangelo. . . " At some point, almost insensibly, the colonial stigma overwhelmes reason itself: rationality itself is rendered 'radioactive', and a particularly dangerous, irrationalist, anti-rationalist and nasty form of mythologising counterposes itself, across the board, against history— the ordered comprehension of past and present-and against all attempts at the rational elucidation of an obscure and opaque social reality. As Rajadhyaksha writes, "Rocha's position regarding the social function of films also led him, however, to attack rationalism itself. He substituted for it the mythical, the 'emotional Dionysian behaviour' that was; he said, characteristic of the emblematic figures and motifs of African religion..."

This is not the place to go into the parallels with intellectual tendencies in India today.

Perhaps the most remarkable achievement of the Latin American writers is the flexibility of the creative idiom which they have developed, the sheer formal energy that enables them to incorporate improbable elements of their grotesque reality into luminous wholes. Manuel Puig, for instance, in Betrayed by Rita Hayworth (1968), makes brilliant use of the cliches of popular culture in order both to represent the stunted/eroded forms of the consciousness of the poor in the festering slums "who make as the informing myth of their lives the glamorous and superbly scntimental films of Rita Hayworth", but also, through that represen-

tation, to make a profound comment about the socio-political order of which that brutalised and stunted consciousness is an essential element. To quote Bhalla's bibliographical introduction to Puig: "Seduced by the false beatitudes of Holywood films, denied other sources of information, those who live among the ashes of big cities begin to resolve all their crises in terms of simple, melodramatic myths. It is no wonder that the poor of Argentina could fantasise about Eva Peron, cast her as their saviour and later think of her as a martyr she was after all only an actress in silly historical spectacles." It just remains to be said that the Argentinian poor aren't the only ones who mythify silly filmstars.

## Tiptoeing through the China Fields

#### Harmala Kaur Gupta

China: Issues in Development edited by Ashok Mitra; Tulika, New Delhi, 1988; pp 181.

AS the volume under review shows, scholars on China have come a long way since the nineteen fifties and sixties. Then they all rushed in and trod all over the place, whereas today they tiptoe with caution. A development indicative perhaps of the fact that they have finally come of age. Thus notwithstanding Ashok Mitra's posers in the last two paragraphs of his introduction, the pieces in this collection by and large choose to skirt around them.

The very first piece in the volume is by Pravin Visaria, It is a well written and informative piece on demographic trends in China and highlights the remarkable progress that China has made in this field, both on its own account, and vis-a-vis India. The dramatic fall in the fertility rate, which during the 1980s has been between 18 and 21, compared to India's 33 or higher, is perhaps the most significant statistic. The rising age at marriage and the associated delay in child-bearing; a level of contraception comparable to that of more urbanised and industrialised countries; the provision of 'five guarantees' (food, clothing, shelter, medical care and decent burial) by the collectives to the childless; as well as the promotion of a 'one child' policy through economic incentives and disincentives seem to be the main measures by which this fall has been achieved. However, the fact that the Chinese leadership were able to motivate people sufficiently to do so, to place the national interest above their own personal interest, is perhaps the single most important contributory factor. It is to be seen how far this pressure can be maintained today. For, under the new production responsibility system, in agriculture in particular, more hands in the family may well mean more income. As Visaria notes, China's policy makers appear to be sensitive to this aspect.

A Vaidyanathan in his essay is concerned with the likely effects of the switch to individual enterprise on the provision of collective welfare services by the commune, and on the efficiency in managing common production resources like water-control systems. He also expresses the fear that such a move may well "reduce interest in and allocation for collective consumption and widen disparities within communes and possibly even between regions". For industry, he feels the outlook is a bu different, since the bulk of it continues to be in the hands of state cuterprises. However, given the new thrust to set up industries, especially consumer goods industries, increasingly in the rural areas under some kind of collective, and in some cases even private, arrangements, the picture may well alter in the not too distant future. Especially, as has been estimated by one source, today there are four million small rural enterprises producing half the national industrial output.

Utsa Pamaik's eye-witness account of the functioning of the contract responsibility system in three communes and in a production brigade is most valuable. The article is noteworthy for its balance and maturity. Thus even as she recognises that "clearly the new system does represent a very clear break from the principle of collective production, accounting and distribution: it appears to represent a reversion from collective production to household production", she chooses to place her sights on the "curiously stable overall environment with regard to ownership of fixed assets and collective economic management". Her subsequent elaboration on the different forms that the contract responsibility system has assumed seems to bear her out. The only note of warning she sounds is with regard to one of the communes, which it seems now permits newly

planted orchard land to be privately owned up to a ceiling of 1 to 2 mu per capita.

K S Krishnaswamy is not willing to give Deng Xiaoping the credit he claims for formulating an alternative strategy for development. He believes that "the Deng reformation was in essence a watering-down of the Maoist doctrine, in the name of correcting the 'left' excesses of the Cultural Revolution". However, he concedes that this 'watering down'-readjustment of the ratios between heavy industry, light industry, and agriculture; the ratios of domestic savings, investment and consumption; the ratios of imports and exports, etc-may well affect the overall direction of change. For the 'open door policy' has brought in new social and political concepts, life-styles, tastes and habits which are "not always in tune with even the neo-Maoist thoughts of the party leaders", let alone the traditional Maoists. In particular, the strictures placed on party cadres vis-a-vis administrators and managers, in the interests of efficiency, obviously has some party members worried about their place in development in the future.

The external sector receives a very systematic and lucid treatment at the hands of Deepak Nayyar in the essay that follows. He provides us with some interesting long and short-term trends and pre- and post-1978 comparisons. For example, we learn that China's open door policy in the external sector has been associated with a large and an increasing trade deficit with the west, and a large and an increasing trade surplus with the south. Moreover, while an overwhelming proportion of China's exports to the industrialised countries is constituted by primary commodities, a large proportion of China's exports to the developing countries is made up of manufactures. So that the developing countries are not only the source of a substantial trade surplus for China, but also provide the principal market for manufactured goods in China's export expansion. It is also worth noting that China's emergence as a net exporter of crude oil and petroleum products was an important factor underlying the rapid growth in exports since 1970.

The role assigned to foreign trade in the national economy has also undergone a revision. Under the new modernisation drive, foreign trade is no longer regarded as providing a residual balance, but is considered an important catalyst for growth. So that the years since 1977 have seen a significant increase in the share of foreign trade, in real terms, in the Chinese economy. By 1985, it stood at a level of 19.2 per cent of national income at the 1975 exchange rate, and at 15.5 per cent at the 1980 exchange rate.

As regards balance of payments, 1985 also witnessed a large deficit in the balance of trade, which meant a substantial current account deficit; two-fifths of which was financed by a running down of foreign exchange reserves. From the late 1970s onwards, we are also informed, direct foreign

investment rose from negligible levels to more than \$ 1 billion per annum in the mid-80s.

The question that naturally arises is, what is one to make of all this? In view of the increasing share of foreign trade in the national income, and the attempt to attain a parity of sorts between domestic prices and world prices, and an adverse balance of payments and an adverse balance of trade, can China avoid the consequences of a mounting external debt and its repercussions on the domestic economy? Though Nayyar remains circumspect throughout, in the end he does concede that "the external sector is likely to be the Achilles' heel in China's long march to modernisation".

For N K Chandra, the Soviet Union's use of centralised planning at the national level to facilitate industrial growth is an option not fcasible today for either India or China. For him, it is the Chinese experience with decentralised planning since the 50s and 60s that holds greater promise. In particular, he is impressed with the Chinese ability to combine labour-intensive capital saving methods

decentralised planning since the 50s and 60s that holds greater promise. In particular, he is impressed with the Chinese ability to combine labour-intensive capital saving methods of production in industry and in agriculture with progress towards mechanisation. A major reason for this he believes has been the accent on local resource mobilisation, and the creation of small local industrics, which enabled the communes and the brigades to control the pace of modernisation with due regard to local conditions. However, more important in some respects. we believe, was the presence of strong central planning and control at different levels that persisted throughout this period, and which Chandra acknowledges but does not elaborate. This certainly prevented the growth of 'cellular' economies as well as checked the haphazard or excessive use of resources, both local domestic resources and foreign exchange resources. Today, with the growth in private savings and investments (savings deposits accumulated in banks and other financial institutions, according to K S Krishnaswamy, amounted in 1984 to one-fifth of the national income of that year), as well as the increasing devolution of power in the hands of the managers with regard to both the mobilisation of resources—domestic and foreign—and their use, it is to be seen whether local planning will remain as responsive to national needs.

of paramount importance these days.

The next article is an authentic Chinese contribution. It is jointly written by two members of the Institute of Nationality Studies of the Chinese Academy of Social Sciences, and deals with the question of minority nationalities. It documents, in some detail, the Chinese commitment to its nationalities, as well as the concrete efforts made to improve their standard of living and carry out socio-political reform with due regard for their relative backwardness and cultural distinctiveness. However, the Chinese experience with Tibet has been at best a mixed one. For, as we know at our

Production for profit after all is considered

own cost, it is the perception of deprivation, rather than actual deprivation itself measured in per capita terms, that has to be dealt with. How far the Chinese have been able to reassure their minorities at this level is a moot question.

G P Deshpande's article on China's foreign policy makes fascinating reading. The parallels one can draw with the current phase of Indian' foreign policy are mind boggling. Thus India, like China, also seems to have realised its civilisational and big brother mission vis-a-vis Sri Lanka. Again, China's insistence on an independent nuclear weapons programme as a political weapon is comparable to the Indian position, as is the attempt, since the late 70s, to look for a technological solution to the problems of defence and security. China may have come a long way since 1949, but at present it does not look too far from New Delhi.

Malini Bhattacharya is to be reassured at the outset that reading books on China does not necessarily lead to greater clarity. Evewitness accounts often provide helpful insights. Her point that an improvement in the material conditions of life must go hand in hand with rising consciousness is valid. However, the point is, how far theory needs to be rooted in praxis to be of relevance. It may be iccalled that when the Chinese were asked to cultivate a spirit of self-sacrifice in the larger national interest in the 50s and 60s, they were in fact engaged in activity which, though it contributed to the larger good, promised little if any material personal reward. Today the situation is different. When your strategy of growth is dependant on people consuming more and working for personal profit, how are people to grasp or comprehend calls to raise their socialist consciousness? But then perhaps we are tilting at windmills, doing what Malini warns us against: "simplifying the problems of socialist practice".

Last, but certainly not least, we should like to address a few words of appreciation to the publishers of this volume. Not only is the dust-cover jacket design simple and attractive, but more importantly, we did not come across a single typographical error in the entire text. Thus what the volume may lack in passion is more than made up in precision.

#### Note

 Nigel Harris, 'Rip Van Winkle in China', Economic and Political Weekly, Vol XXIII, No 3, January 16, 1988; p 83.

When corresponding with the Circulation Department, subscribers are requested to mention their subscription numbers.

## The Budget: Lengthening Shadows

#### Bhabatesh Datta

If one were to discern a direction which central budgets seem to be taking it would be as follows. Total government expenditure will increase, the non-plan component increasing faster and the non-developmental part increasing faster still. Large loans will be taken not for creating productive assets but for revenue expenditure. The overall deficit financed by Reserve Bank credit will increase. If availability of foodgrains and other essentials do not rise at the desired rate, the result will be inflationary pressures. Mounting debt service charges will put severe pressure on the balance of payments. The state governments will be hamstrung by shortage of financial resources, after meeting their own debt service charges.

IN June 1987, the finance minister of the government of India issued the presidential order appointing the Ninth Finance Commission. It was stated that in making its recommendations, the commission shall "keep in view the objective of not only balancing the receipts and expenditure on revenue account of both the states and the centre, but also generating surpluses for capital investment" (emphasis added). A valid question was raised about the power of the government to issue instructions to a body that was appointed under a clear constitutional provision and whose functions were also laid down in the constitution. But in the case of this instruction at least, the economist qua economist could easily accept the objective as highly commendable.

Then only eight months later the union finance minister has presented before parliament a budget for the coming year showing not only a large revenue deficit, but also a substantial increase in this deficit over that in 1987-88. The revenue account deficit was Rs 5,565 crore in 1985-86 (actuals), Rs 7,776 crore in 1986-87 (actuals), Rs 8,497 crore in 1987-88 (revised estimate) and will be Rs 9,842 crore in 1988-89 (budget). The increase in 1988-89 is 15.83 per cent above the revised estimate for 1987-88. The budgetframers in the finance ministry are oblivious of what others are thinking in the same ministry. Alternatively, the ministry does not know its own mind.

The revenue account deficit has been and will be met partially from the capital account surplus and mainly through net borrowing from the Reserve Bank of India (Table 1). In 1987-88, the revenue deficit of Rs 8,497 crore is expected to be reduced by Rs 2,417 crore of capital account surplus, leaving a final deficit (shown as the 'overall deficit') of Rs 6.080 crore to be financed by 'net RBI credit', i e, by monetary expansion. It is to be noted however that the 'net RBI credit' shown for 1987-88 is Rs 6,230 crore, i e, Rs 250 crore higher. No explanation is given. In 1988-89 the capital account surplus will be Rs 2,358 crore and this will reduce the revenue deficit of Rs 9.842 crore to the 'overall deficit' of Rs 7,484 crore to be covered by the munificence of the printing press. The final deficit at the prebudget tax rates will be Rs 8,120 crore, which will stand reduced to Rs 7,484 crore by an accretion

of Rs 636 crore from the new proposals. It is not known how far the final figure of deficit has been doctored by postponing lump payments and by exacting large amounts of taxes and other dues from the public sector enterprises who in their turn have been forced to borrow. Besides, there is a cryptic footnote which says that the overall deficit figure of Rs 7,484 crore is "not independently estimated".

All this is entirely wrong in principle except in an emergency and poses great dangers for the future years. The capital account collects funds from the internal 'market' and there are external loans and credits, recovery of loans, small savings, provident fund contributions and other miscellaneous deposits. The essential principle is that the capital receipts should be used only for 'capital' purposes-i e, for creating physical assets, for creating financial assets (i e, lending funds to the states, public sector enterprises and others) and for reducing the liabilities through repayment of loans. The transfer of the capital account surplus to the revenue account means the usc of capital funds for uses that do not create assets. There is of course plan expenditure in the revenue account (Rs 10,704 crore in a total revenue expenditure budget of Rs 52,640 crore in 1988-89), but such expenditure, while necessary, does not contribute to the growth of the economy. Plan revenue expenditure should be met by curtailing non-plan revenue expenditure or by raising more resources on the revenue account. The presidential order appointing, the Ninth Finance Commission very correctly emphasised the need for transferring the revenue surplus to the receipts side of the capital budget. What is being done is exactly the reverse of this and there is no recognition in the budget of the economic and ethical malfeasance involved in the operation. The really serious 'trap' is not the size of the public debt (which will be Rs 1,40,000 crore at the end of 1988-89), but its use on an increasing scale for meeting expenditure that does not create any new productive asset.

When the revenue receipts fail to increase at a desirable rate, or there is some reluctance to act adequately in achieving the deisrable levels, the revenue account deficit increases sharply, because of the almost uncontrolled increase in revenue expenditure.

Compared to the 16.02 per cent increase in the revenue receipts (including the effects of new proposals) between the budget for 1987-88 and that for 1988-89, the increase in revenue expenditure is 21.2 per cent. For economic analysis, it is more useful to look into the plan-non-plan division than into the revenue-capital division. In theory, the sum of the revenue and capital expenditures should be the same as the sum of the plan and non-plan expenditures. In reality, the two sums are different-because the plan outlay shown in the central budget excludes the plan transfers to the states, but includes the 'internal extra-budgetary resources' of the government departments. The IEBR is expected to be Rs 12,715 crore in 1988-89 against Rs 10,657 crore in the revised estimates for 1987-88. Table 2 shows the two sets of totals separately for 1988-89.

## TOTAL PLAN AND NON-PLAN EXPENDITURE

Confining attention to the more important economic total, it appears that this total has recently been increasing at a high rate, that there is a faster increase in non-plan expenditure than in plan outlay and that the sharc of 'non-plan non-developmental expenditure in the total non-plan expenditure is increasing faster still. (Tables 3, 4 and 5). Over the first four years of the Seventh Plan, the budget allocation for non-plan expenditure has increased by 73.68 per cent, while the central plan outlay (including extrabudgetary resources and excluding plan transfers to the states) has increased by 55.22 per cent. Within non-plan expenditure, four major non-developmental items-interest, defence, subsidies and the 'general services'accounted for 72.44 per cent of the total in the 1985-86 budget and the share rose to 83.76 per cent in the budget for 1987-88. The budget for 1988-89 shows a slightly lower percentage of 82.83, but it is still much higher than it was in 1985-86. Indentifiable non-plan developmental allocations for social and economic services were 8.15 per cent of the total in the 1985-86 non-plan budget and have come down to 6.87 per cent in the budget for 1988-89.

There are welcome, but limited increases under rural development, transport, communications, science and technology and social services in the plan budget (Table 5).

Agriculture, rural development and irrigation and flood control together accounted for Rs 2,730 crore in the budget for 1987-88 and they come to Rs 3,057 crore in the 1988-89 budget, showing an increase of only 11.98 per cent. The full picture about all this-including the poverty alleviation programmes will be clear when all the state budgets are available, but there has obviously been no sharp increase in allocation in these areas. The point that is really surprising is the claim of the finance minister that by the end of 1988-89, "we would have achieved more than 86 per cent of the Seventh Plan outlay in real terms" (emphasis added). There must be some special meaning of 'real terms' here. The financial outlays of the Seventh Plan, measured in current money terms for each year will certainly, exceed the five year target of Rs 1,80,000 crore. But if the money figures are deflated by the GDP deflator (which is generally a little below the wholesale price indicator), or preferably by the investment deflator (which is generally a little above the wholesale price index), the outlay performance in four years may not reach even 70 per cent of the target fixed at 1984-85 prices.

If the finance minister has meant 'real physical performance, one can only point out that many of the major targets (including particularly, food grains) have been reduced and it is doubtful whether in all cases even the reduced targets will be reached. The case of food grains is interestingfor, now the 1986-87 figures have been revised downwards and the output in 1987-88 will be about 10 per cent less than the revised figure for the previous year. The GDP growth rates have also been revised downwards. With a 4.7 per cent growth in 1985-86, 4.0 per cent in 1986-87 and 1.5 per cent in 1987-88, the three-year total comes to 10.52 per cent only. The 1988-89 growth rate will certainly be high (because of calculation from a low base), but even if it is 7 per cent, the four-year growth will be 18.26 per cent, while at the expected rate, the growth should have been at least 21.55 per cent. At 18.26 per cent in four years, the compound annual rate comes to about 4.25 per cent, which is perceptibly below the targeted 5 per cent growth. The slow growth of the GDP will affect incomes, employment, demand, savings and government revenues.

#### INTEREST

Some of the major components of nonplan expenditure deserve detailed examination. The position in regard to 'interest' should be clearly understood, for the government not only pays interest, but receives large amounts from its debtors, especially state governments (Table 6). In 1986-87, interest rose to the top of the list in the nonplan accounts. It was relegated to the second place in 1987-88, but has again come up as the highest single component of expenditure. The breakdown of the interest payments shows that about half is paid on the internal debt and that about 41 per cent of the ... Source: Budget Papers, 1987-88 and 1988-89.

total is paid on government fiabilities other than the public debt. The interest rate on all new market loans and on various small savings and provident fund schemes is around 11 per cent and the interest on the external debt turns out to be only about 5 per cent on average. There is also the important fact that the amount of around Rs 6,000 crore paid to the Reserve Bank on treasury bills is the single largest source of income to the bank and a large part of it (Rs 210 crore in 1986-87) comes back to the government. An increase in inflationary financing means a rise in the non-inflationary receipts of the

On the side of interest payments, the amounts paid to the commercial departments, public sector enterprises, port trusts, etc, are also intra-government transfers. On balance, the net interest payments by the central government will be Rs 6,913 crore in 1988-89. This is to be compared with the net payment of Rs 4,388 crore in the budget for 1988-89. The rise is substantial, but the real dangers are not of a simple 'internal debt trap' but those arising from the fact that the increase in borrowing is largely due to the need for meeting the large revenue account deficit and not for creation of capital assets. The total public dcbt of the government of India is expected to increase by Rs 17,728 crore in 1988-89-Rs 7,000 crore of net market loans, Rs 3,244 crore of external loans (net external assistance of Rs 3,734 crore minus the assistance received as grants or in kind) and Rs 7,484 crore of treasury bills-to Rs 1,39,944 crore. Thus about 56 per cent of the total government borrowing will be required to meet the revenue budget deficit of Rs 9,842 crore. The total 'public sector borrowing requirement' (PSBR) which should include the surrogate borrowing of about Rs 2,000 crore, by the public sector undertakings will carry the total to about Rs 20,000 crore. Much of the interest payment is not only internal but also intragovernment. It will be interesting to get full data about the net interest payments by the government which simultaneously widen the tax-base, by reaching the hands of the tax payers. Rs 5,520 crore of interest payments will accrue to the provident fund constributors and small savers. The interest payable on external loans (Rs 1.256 crore) is on the other hand an outright outflow.

#### **DEFENCE**

The increase in the defence expenditure of Rs 1,000 crore over the revised estimates of

Rs 12,000 crore and of only Rs 488 crore over the budget for 1987-88 is less than what was the general anticipation. It was feared that apart from the trend rate of growth, there would be further additions on account of the operations of the Indian Peace Keeping Force in Sri Lanka. These anticipations have not proved correct. The revised estimate for 1987-88 is Rs 512 crore or 4.09 per cent less than the budget estimate of Rs 12,512 crore. The budget for 1988-89 at Rs 13,000 crore is only Rs 1,000 crore more than the revised estimate for the previous year (Table 7). There has also been a decline in the share of defence expenditure in the total revenuecum-capital expenditure of the central government.

An analysis of the details shows interesting features. Between the budget figures for 1987-88 and the revised estimates, all the components in the revenue account showed appreciable increases, but the capital outlay fell by Rs 871 crore—showing some postponement somewhere. The capital outlay however shows a rise of Rs 765 crore in the budget for 1988-89, together with relatively small increases in the revenue components. The full story cannot however be dcrived from the budget figures. First, all expenditure is shown as "net of recoveries and revenue reccipts in respect of departmental commercial undertakings". The defence ministry has substantial investments in Bharat Earth Movers, Bharat Dynamics (producing anti-tank guided missiles), Hiñdustan Aeronautics, Mazagaon Docks, Goa Shipping Yard, Garden Reach Shipbuilders and Engineers, Bharat Electronics and Mishra Dhatu Nigam. The receipts are not shown either in the general receipts budget or as 'internal extra-budgetary resource'.

Secondly, imports of military equipment financed by foreign grants or by long-term loans with long grace periods are not shown

TABLE 2; TOTAL CENTRAL EXPENDITURE

Total plan outlay (D) is made up of Note: Rs 16,000 crore or "budget support" and Rs 12,715 crore of 1EBR.

Source: Budget Papers, 1988-89.

TABLE I: R	(Rs crore)			
	1985-86 • Actuals	1986-87 Actuals	1987-88 (RE)	1988-89 (BE)
A Revenue surpluses/deficia	- 5565	- 7776	- 8471	- 9842
B Capital surplus/deficit	+628	- 485	+2417	+2358
C Overall deficit	-4937	- 8261	-6080	-7484
D Revenue expenditure	33484	40674	46619	52640
E Revenue deficit as per cent				
of revenue expenditure	16.62	19.12	19.04	18.70

in the budget. The foreign trade figures do not give the necessary information. A decline in capital outlay or even in revenue expenditure in a particular year may be due to an increase in such military aid. There are occasional reports about aid agreements, but the actual year-by-year utilisation is not made public. All this makes comparison difficult, but there should be a sense of relief from the knowledge that the published defence expenditure estimates show only a modest increase. The proposed expenditure in 1988-89 is only 3.9 per cent higher than the budget estimate and 8.3 per cent higher than the revised estimates for 1987-88. A rate of inflation of 8 per cent in 1988-89 may make the increasing nugatory. One only hopes that elements of defence expenditure have not been incorporated into other heads. In the final analysis, defence covers a wide range of economic activity. It should also be noted few defence pensions amounting to Rs 1,100 crore and another Rs 240 crore of "defence (civil)" expenditure are not included in the Rs 13,000 crore defence budget.

#### SUBSIDIES

While defence estimates are lower than were originally estimated, the subsidies are

higher-despite the often-expressed official views about the need for economy. The major subsidies of Rs 6.391 crore are increasing in 1988-89 by Rs 1,611 crore (i e, by 33,70 per cent) above the budget of Rs 4,780 crore and by Rs 1,021 crore (or by 19.01 per cent) above the revised estimates for 1987-88. The major jumps are in food and in fertilisers. In the case of the fertilisers, the justification offered for the Rs 790 crore increase is the need for stimulating production in the drought-affected areas. There is also a 7.5 per cent discount on fertiliser prices. There is apparent good logic in all this, provided that one can feel sure that the benefits will actually reach the small cultivators and the large body of consumers. There seems to be a fond dependence on the expectation of a good monsoon in the next season a hope that nature will take a leap forward after three years of unkindness.

#### **GENERAL SERVICES**

In the case of 'General Services', the total budget allocation has risen from Rs 4,346 crore in the revised estimate for 1987-88 to Rs 5,213 crore in the budget for the new year. This increase of Rs 867 crore seems to be explained mainly by the provision of Rs 800

TABLE 3: PEAN AND NON PLAN EXPENDITURE

(Rs Crure)

	1985-86 Budget	1986-87 Budger	1987-88 Budget	1988-89 Budget
A Central plan outlay	18,500	22,300	24,622	28,715
A Central plan outling	,	(+20.54)	(+10.41)	(+16.62)
B Central expenditure	27,548	31,868	39,266	47,846
- Contract out of the contract	,	(+15.68)	(+23.21)	(+21.85)
C Total central expenditure	46,048	54,168	63,888	76,561
t lour commune openation		(+17.63)	(+17.94)	(+19.84)

Note: Figures in brackets show percentage increase over previous year. Source: Budget Pupers, 1986-87, 1987-88, 1988-89.

TABLE 4: COMPONENTS ON NON PLAN EXPENDITURE

(Rs Crore)

	1985-86 Budget	1986-87 Budget	1987-88 Budget	1988-89 Budget
1 Interest	7,075	8,750	10,650	14,100
	(100)	(123.71)	(150.53)	(199.29)
2 Defence	7,686	8,728	12,512	13,000
	(100)	(113,56)	(162.79)	(169.14)
3 Subsidies	3.959	5.025	5,607	7,316
2203.4.47	(100)	(126.93)	(141.63)	(184.79).
4 General services	1,787	3,304	4,119	5,213
T COME IN THE CO	(100)	(184.89)	(230.50)	(291.72)
5 Total of 1+2+3+4	20,507	25.807	32,888	39,629
3 13/101 11 2 1 3 1 1	(100)	(125.84)	(160.37)	(193.25)
5 as per cent of grant total (8)	74.44	80.93	83.76	82.83
6 Social and economic services	2,246	2,299	2,539	3,285
o docini and economic services	(100)	(102.36)	(103.05)	(146.26)
7 Others ·	5,205	3,782	3,838	5,032
, Others	-,	(100)	(101.48)	(133.05)
8 Grand Total	27,548	31,888	39,265	47,846
O O MILO TOTAL	(100)	(115.75)	(142.35)	(173.68)

Notes: 1 "General Services" comprise organs of state, tax-collection, police and pension.

2 Figures in bracket show index numbers of change.

3 Some later reclassification makes 1985-86 an unreliable base for 'others'.

Source: Budget Papers, 1986-87, 1987-88, 1988-89.

crore "to cover the cost of additional dearness allowance instalments that may have to be sanctioned to government employees in 1988-89". There was no such provision in the earlier years. Two main points emerge-first that the government is practically certain that inflationary pressures will continue, and secondly that as the allocation does not include the allowances to be paid to non-government employees (like university teachers) out of government funds, the ultimate total will be much larger than the amount provided. In any case this provision runs counter to the official assertion that the inflationary forces will be contained in 1988-89.

#### PRE-BUDGET IMPOSITION

The other side of the picture is given by the proposals regarding taxation. Three aspects of the position require attentionfirst, the revenue effects of the tax proposals, i e, effects that directly impinge on the size of the deficit; secondly, the impact of the tax proposals on growth through the effects on saving, investment and foreign trade; and thirdly the effect on income distribution. The revenue effects of the tax proposals have to be studied in the background of the total additional resource mobilisation for the year 1988-89. This total comprises the expected yields from the immediate pre-budget impositions, the new tax proposals, the "internal extra-budgetary resources (IEBR), internal borrowing, public sector enterprises" borrowing (unless already included in IEBR) and external assistance. From the details given in Table 8, it will be seen that the prebudget impositions account for Rs 3,171 crore, IEBR for Rs 12,715 crore and internal borrowings for Rs 14,484 crore) (including net RBI credit of Rs 7,484 crore). Taking all the components together (excluding small savings, provident fund contributions-government and publicspecial and other miscellaneous deposits totalling Rs 8,855 crore), one gets the grand total of Rs 36,719 crore. This emphasises the important fact that if the revenue deficit were avoided, there would have been no difficulty in financing the plan without recourse to treasury bill financing.

#### **DIRECT TAXES**

In this total picture, the expected net receipts from the tax proposals are only Rs 615 crore. This is made up of additions and reliefs-both fairly large. In the case of the direct taxes, the continuance of the drought surcharges and a few other minor changes will bring in Rs 270 crore, while the raising of the standard deduction for salary Incomes (from 30 per cent to 33.3 per cent, with the ceiling raised from Rs 10,000 to Rs 12,000) and the additional tax-rebate for company dividends will reduce the income tax receipts by Rs 201 crore, leaving a balance of Rs 69 crore. The essential fact here is that the increase in the revenue will accrue to the centre, while the decline in the



revenue will be almost wholly shared by the states. While on the subject, it is necessary to state that there be no travesty of tax principles worse than the proposal to tax the payments for buying liquor, forest products and scrap, under the income tax law. If the government wants a straight tax on expenditure or on turnover, it should act accordingly over a wide range. The new section is an entirely wrong step which will be subject to gross misuse and abuse and will be against all taxation ethics.

#### **INDIRECT TAXES**

Despite the commitment in the Long Term Fiscal Policy (LTFP) of 1985 that while the direct tax rates would not be changed for five years, the share of the receipts from this source in the total revenue will be made to increase, direct taxes have ceased to be important as revenue earners. The central government is relying increasingly on indirect taxes. The position adopted for 1988-89 is similar to that in recent yearsfairly large gross impositions with quite large reliefs. There are however some special features this year. In the case of customs, Rs 500 crore out of an expected total gross additional revenue of Rs 516 crore will come from the continuation of the auxiliary duties (with some modifications). The other Rs 15 crore will come from the modifications of the duties on computers and computer parts. Similarly, the levey of a 'special excise duty' at 5 per cent ('one-twentieth') of the basic rates on all goods except matches, kerosene, cotton fabrics, vanaspati, vegetable nonessential oils, tea and coffee, will yield Rs 650 crore in a gross total of Rs 749 crore. All the other 17 proposals for increase will bring in Rs 99 crore only.

In fact, the relief are more important than the gross impositions. They amont to Rs 209 crore for customs and Rs 510 crore for the central excise. The total gross levy of Rs 1,265 crore thus becomes reduced by Rs 719 crore to a net balance of Rs 546 crore. The major reliefs are those relating to specified raw materials like copper conductors, etc, inputs required for certain export industries, for 'horological' industry, for electronic industry, certain drugs and pesticides. The reliefs in the case of central excise (62 proposals) cover a very wide range, but more than half of the total of Rs 510 crore will benefit the textile industry, in which again the largest share goes to the manufacturers of synthetic fibre, yarn and fabrics.

#### **EFFECTS ON PRODUCTION**

It is possible to argue that the duty-reliefs will stimulate production and will reduce the prices. The price-effect is uncertain, particularly when the beneficiary producers can claim that the rise in the cost of their other inputs will more than neutralise the tax benefits. There are the usual appeals and exhortations but: past experience does not make one optimistic. On the other hand, the

effect of the tax-increases on the prices will be immediate. It is here that the gross figures come to be important. The whole of the gross total of Rs 1,265 crore will lead to a tax-push on prices, while the effects of the reliefs of Rs 719 crore will not be perceptible even when they affect consumer goods directly.

It is not easy to outline the possible effects of the tax-reliefs on production and new investment, because here also past experience has shown that increased production through fuller utilisation of existing capacity and through the creation of new capacity both depend on a variety of factors in which the fiscal burden often plays a relatively insignificant role. The new industrial production index gives a rosy picture, but its emphasis is on goods other than those consumed by the low-income masses. But even this sunrise-weighted index is not coming down. Incidentally, it appears that the major beneficiaries from the reduction of the excise dutics will be a few monopolist firms. and also that the reduction in the import duty on "34 specified machinery for processing and packaging of food articles" will be attractive to the multinationals wanting to enter the Indian economy on a grand scale. On the whole, there is no reason to think that the tax policy will have any perceptible stimulating effect on new investment. The test case will be the outputs of mill-made cotton cloth and man-made yarn and fabric, in which the recent rates of growth have been

There are some special facilities for cottage industry including some excise reliefs on vegetable and fruit products made by cooperative societies, khadi and village industries commission and the related state:

boards. There is another group of commoditles made by co-operative societies in rural areas, which are exempted from duties (radios, tape-recorder, low-price footwear,

TABLE 6: INTEREST PAYMENTS AND RECEIPTS, 1988-89

(Rs Crore)

Interest Payments	
a) On market loans and	
treasury bills	7,027
b) On external debt	1,256
c) On small savings deposits	
and certificates	2,500
d) On provident funds (govt	
and non-govt employees)	3,020
e) On reserve funds of	
commercial departments	
government	71
f) On other obligations	226
g) Total (a through f)	14,100
2 Interest receipts	
a) From state governments	3,856
b) From union territories	
(with legislatures)	11
c) From railways (on capital-	
at-charge)	736
d) From telecommunications	267
c) From other loans	2,317
f) Total (a through e)	7,187
Net interest payments	
(1 (g) minus 2 (f) )	6.913
(-) /	

Note: Interest receipts under 'other loans' are from public sector enterprises, port trusts and other statutory bodies, co-operatives, departmental commercial undertakings and government servants.

Source: Expenditure Budget, 1988-89, Vol I, p 7; Receipts Budget, 1988-89, pp 10-13.

TABLE 5: COMPONENTS OF PLAN OUTLAY

(Rs Crore)

	1985-86 Budget	1986-87 Budget	1987-88 Budget	1988-89 Budget
1 Agriculture	918	917	912	1,078
	(100)	(99.89)	(99.35)	(117.43)
2 Rural development	918	1,509	1,651	1,762
	(100)	(161.38)	(179.85)	(191.94)
3 Irrigation and flood control	169	158	167	217
	(100)	(93.49)	(98.82)	(128.40)
4 Energy	6,569	7,481	7,690	9,196
	(100)	(113.88)	(117.07)	(139.99)
5 Industry and minerals	4,023	4,606	4,716	4,789
	(100)	(114.49)	(117,23)	(119.04)
6 Transport	2,728	3.882	4,376	5,572
•	(100)	(142.30)	(160.41)	(204.25)
7 Communications	1,072	1.225	1,229	1,820
	(100)	(114.27)	(114.65)	(169.78)
8 Science and technology	417	495	630	751
(+ Environment)	(100)	(118.71)	(151.08)	(180.00)
9 Social services	1,646	1,988	3,011	3,268
	(100)	(120.78)	(182.93)	(198.54)
10 Others	40	39	240	262
1	(100)	(97.50)	(600.00)	(655.00)
11 Total	18,500	22,300	24,622	28,715
	(100)	100	100	100

Note: Figures in brackets are index numbers with 1985-86 as the base. Source: Budget Papers, 1986-87, 1987-88, 1988-89.

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etc) and in some other cases duties have been reduced. There is also a proposal for establishing a national bank for small industries, to function as a refinancing body under the Industrial Development Bank of India. There can be a valid argument against the multiplication of re-finance bodies, when the borrowers will have to deal with the same commercial banks which hold up everything. There are similar proposals for agriculture, starting with a reduction in the prices of fertilisers and in interest rates. The exemption of the duties on electric motors for pumpsets and on pesticide intermediates, reduction of duties on parts and accessories required for installing cold storage, etc, are also meant for benefiting agriculture. The basic question however turns up again-who will be the actual beneficiaries?

#### **EXPORT PROMOTION**

The proposals regarding export promotion also deserve scrutiny. Our exports are less than 5 per cent of the GNP but the pressures of debt service charges are increasing. The existing tax-concession for export profits is being raised to 100 per cent, and the "supporting manufacturers exporting through trading or export houses" will also get this benefit. Further, the present five-year tax-holiday for units in the free trade zones is being extended to '100 per cent export oriented industries'. There will also be income tax exemption for the replantation and rejuvenation subsidies given to rubber, coffee and cardamom plantations. In the field of indirect taxes, there will be concessional rates of customs duties on specified machinery for 'identified export thrust sectors". The sectors include garment and hosiery, leather, gems and jewellery, textile machinery, tea, bicycles, silk and woollens. In the case of tea, the value limit for duty-free import of commercial samples is being raised to Rs 5,000 a year and for prototypes of engineering goods to Rs 10,000 a year. Tea exported directly from factories will earn full rebate of excise duty.

All this sounds impressive. But it should be noted that there is a terminological change from '100 per cent export commitments' to 'export-orientation' and 'export thrusts'. The former 100 per cent export commitment was generally point-less, except in the case of multinationals which agreed to take the whole output from their Indian subsidiaries. But the 'transfer prices' cannot be effectively controlled and consequently India does not gain as much foreign exchange as it should. For others, exportorientation does not necessarily mean export-performance, for the simple reason that the performance depends more on internal costs, sales efficiency, and exchange rate and, above all, the conditions in the markets abroad than on fiscal reliefs. And it is quite easily possible that the profitability induced by duty-reliefs will be out weighed by the profits that can be earned in the domestic markets.

#### SAVING

All things taken together, fiscal policy is only one of the many complex factors that determine increase in outputs and exports. The measures adopted to stimulate domestic saving do not go very far, particularly when it is remembered that saving rate has not reached the expected plan levels. Domestic savings in 1986-87 were 21.7 per cent of GNP, against 22.0 per cent in 1985-86. The estimates for the net saving-NNP ratio for 1986-87 (18.2 per cent) is admitted by the RBI to be based on imperfect data. The raising of the standard deduction for salary earners, the additional Rs 3,000 of tax exemption for dividends from companies (the actual net addition is smaller) and the raising of the effective interest rates on certain small savings can influence the form in which financial assets are held, but the more important element in the picture is the growth of incomes, out of which savings will emerge. This growth has been slower than expected and, on the whole, is not likely to reach the five-year target. If income fails to grow at the target rate, savings remain far behind, despite the measures that attract more of the available savings to the public sector. The private sector will not get much stimulus in their investment efforts from the tax relicfs. The flow of voluntary household saving to them will be curtailed. There is not much to expect in the field of saving, investment and growth from the budget proposals. In the case of saving, the net gain is likely to be considerably reduced by the probable rise in consumer prices.

#### SOCIAL JUSTICE

And then one comes to the question of equity or social justice. On the one hand, the plan outlay for rural development has been increased by only 1.03 per cent, but jt

can be argued that there are other heads the outlay from which will benefit the poor. The finance minister has simply said that IRDP, NREP and RLGEP "will continue to be the main instruments for generating employment and increasing the earning opportunities of those below the poverty line". He gives apparently impressive figures of 254,000 families assisted by a cumulative total investment of Rs 8,413 crore under 'RDP alone (Rs 3,300 per family), but does

TABLE 8: RESOURCE MOBILISATION FOR 1988-89 (Rs Crore—Rounded)

1	Pre-budget increases in	
	administered prices	2,000
2	Increases in railway farcs	•
	and freights	622
3	Increases in postal and	
	telephone rates	549
4	Total pre-budget mobilisation	_
	(1+2+3)	3,171
5	New tax proposals in the budget	615
6	Internal extra-budgetary	
	resources	12,715
7	Internal borrowing (market	·
	borrowing + treasury bills)	14,484
8	Total from budget proposals	
	(5+6+7)	30,985
9	PSU borrowing (approx)*	2,000
10	Total internal	32,985
11	External assistance (loans	
	plus eash and direct and)	3,734
١2	Grand total	36,719

Votes: The above table does not include the centre's share in small savings, provident funds, special deposits and other miscellaneous deposits which together will come to another Rs 8,855 crore, bringing the grand total to Rs 45,574 crore.

\* Unless already included in JEBR (no 6).

Source: Budget Papers, 1988-89.

TABLE 7: DELLNCE EXPENDITURE

(Rs Crore-Rounded)

	1987-88 Budget	1987-88 Rev Est	Increase or Decrease over BE	1988-89 Budget	Increse or Decrease over 1987-88 RE
1 Revenue expenditure					
a) Army	6,359	6,488	+ 129	6,607	+ 119
b) Navy	596	684	+ 88	755	+ 71
c) Airforce	1,578	1,656	+ 78	1,722	+ 66
d) Ordnance factions	1	66	+ 65	44	22
e) Total	8,534	8,893	+360	9,128	+ 235
2 Capital outlay 3 Total—revenue and	3,978	3,107	- <b>87</b> l	3,872	+ 765
capital (1+2) 4 Defence expenditure as per capita of total	12,512	12,000	51 <b>2</b>	13,000	1 1000
revenue and capital expenditure (per cent)	19.88	18.14		17.67	

Notes: 1 All defence expenditure is shown net of recoveries and revenue receipts in respect of departmental commercial undertakings.

2 The expenditure shown above do not include defence pensions of (Rs 1,100 crore) and 'defence (civil)' expenditure of Rs 240 crore in 1988-89.

3 All defence expenditure is 'non-plan'.

Source: Expenditure Budget, 1988-89, Vol 11, pp 41-50.

not mention the independent assessment by the department of rural development which showed a large percentage of infructuous investment, poor maintenance, absence of returns and also assistance given to ineligible families. He states that under NREP and RLGEP, 700 million "man-days" of employment were generated in 1986-87, but does not state that this means only 2.56 million 'man-years'.

#### CONSUMER RELIEFS

Equity may also be attained by planned tax reliefs. It is good that the Rs 650 crore increase in the excise duties through the 'special' 5 per cent addition to the basic rates leaves out sugar, matches, kerosene, cotton fabrics, vanas pati, vegetable non-essential oils, tea and coffee. No one will question the justification of increasing the duties on highcost cars, air conditioners or wide-screen colour television sets. The excise reliefs (which should increase profitability and/or reduce consumer prices) have in some cases been trivial and are in other cases neutralised by increases in the cost of inputs. The exemption of sindoor, kajal, alta and 'mahavar' (a red point made from lac) will mean an annual loss of only Rs 25 lakh in revenue and there was no need for the high-sounding words about the budget being an 'auspicious occasion' for removing the ineffective duty on "the age-old symbols of glorious and devout woman-hood" (emphasis added). On this ground the duties on hair oil (the 'crowning glory'), or on the gold used for making engagement rings should also be withdrawn. The exemption of excise duty on toys will mean a revenue loss (which may not be the same as the consumer-gain) of only Rs 40 lakh. The relief in the case of children's films comes to Rs 20 lakh. The exemption of excise duty on pencil sharpeners and their blades will not have any revenue effect at all and an imperceptible effect on price, if any. The reduction in the excise duty on wall clocks, quartz clocks and parts thereof, "to cultivate a greater sense

TABLE 9: BUDGET PROPOSALS: CENTRE AND STALLS

(Rs Crore-Rounded)

	Centre	States
1 Corporation tax	49	
2 Income tax	104	-94
3 Wealth tax	10	-
4 Total direct tax		
(1+2+3)	163	- 94
5 Customs	307	
6 Basic excise	208	- 170
7 Special excise	358	293
8 Additional excise	- 32	
9 Additional excise in line		
of sales tax	· -	-0.09
10 Total excise (6+7+8+9)	117	122
11 Total indirect taxes	1	٠,
(5+10)	424	122
12 Total all taxes (4+11)	587	28
13 Other sources	49	
14 Grand total	636	28

Source: Budget Papers 1988-89.

of time-consciousness and to instil a spirit of greater punctuality among school-going children, college students (not teachers), office-goers and the public generally will reduce the revenues by Rs 50 lakh only. The idea that slightly cheaper clocks will induce punctuality is perhaps a joke. All these taken together come to a total of Rs 1.35 crore tonly, where the total annual consumption expenditure of the people is currently more than Rs 225,000 crore. And there is no assurance that every tax relief will be passed on to the low-income consumers.

There are certain other consumer relief · measures which give with one hand what has recently taken away with the other. Domestic electrical appliances "from frying pans to sauce pans," electric kettles, water-boilers, toasters, automatic irons and stainless steel utensils are being exempted from taxes and the burden on certain table-ware and on steel doors, windows, etc, is being reduced. Here again the ultimate price-relief is not certain and, besides, the consumers of these goods do not belong to the really poor groups. Besides, while steel utensils and certain other steel goods will get full exemption or lighter burdens, the price of steel has been increased by notification. The reliefs announced in these cases, even if effective, are not net reliefs at all. There is thus the unavoidable conclusion, that the budget measures will not make the economy more equitable, either through direct expenditure on poverty alleviation, or through lower prices of essential goods.

#### STATE GOVERNMENTS

A word is necessary about the impact of the budget proposals on the finances of the state governments. It has already been stated that while the increased revenues of Rs 270 crore from the surcharges will accrue to the centre, the states will bear the burden of the Rs 201 crore decline in income tax revenue because of the raising of the standard deduction and other tax rebates on saving. On the net balance, the states' share of the receipts from the income tax proposals will mean a net loss of Rs 94 crore. In the case of the central excise proposals, the net effect of the new proposals (mostly tax-cuts) will be reduction of the total receipts from the basic duties by Rs 378 crore. The states' share in the decline will be 45 per cent or Rs 170 crore. This will be counter balanced by Rs 650 crore of receipts from the special imposition at one-twentieth of the basic rates and the states' share will be Rs 293 crore, again at 45 per cent. The net result (after taking account of Rs 9 lakh of the negligible decline in the receipts from the additional excise in lieu of sales tax) is an accretion of Rs 122 crore of excise shares to the states. Bringing in the negative figure of Rs 94 crore from income tax, the net receipts of all the states from tax shares resulting additionally from the new proposals will be only Rs 28 crore. The centre's total share including Rs 49 crore from non-tax sources will be Rs 636 crore (Table 9). The states will not

feel compensated by the "40 per cent increase" in their overdraft limits, which, because of the adopted base for calculation, will mean a very small additional facility. Excess overdrafts have to be cleared withir strictly enforced time-periods.

#### **QUO VADIS?**

The question in conclusion is, where do we go from here? The answer appears clear. The total expenditure of the government will increase. The non-plan part of it will increase faster. The non-developmental part of it will increase faster still. Large loans will be taken not for creating productive assets but for revenue expenditure. The overall deficit financed by Reserve Bank credit will increase. All this together with the prospect of a failure of the production of food-grains and other essentials to rise at the desired rate will increase the inflationary pressures. Mounting debt service charges will put severe pressure on the balance of payments. The state governments will be hamstrung by shortage of financial resources, after meeting their own debt service charges. The economy will move, but not at the rates assumed with unpractical optimism every quinquennium. And the poor will be with us. RBI credit, assured dearness allowances and supply-side shortfalls will help to maintain the inflationary pressures despite ritual assurances repeated every year. It is true that the budgetary policy is not everything in the total economic policy, but it becomes tragic if the budget fails to reflect the essential requirements of an economy seeking growth with justice and growth with stability. We run fast, but practically stay where we are, with this difference that we stand painfully on a bed of thorns. The 'dawn' that was expected in the Sixth Plan is not in sight even now, in the fourth year of the Seventh Plan. The budget seems to be oblivious to the lengthening shadows.

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## The Budget and the Plan

#### D T Lakdawala

One of the foremost tasks of a budget is to ensure enough financial provisions for implementing the plan. The progress of the central plan on the financial front in real terms gives no cause for complaint. However, financial provisions for the states plans are inadequate.

SINCE the plan embodies a commonly agreed programme to achieve national objectives and ideals, one of the foremost tasks of a budget is to ensure enough financial provisions for implementing the plan. Judged on this score, the central budget 1988-89 must be regarded as highly satisfactory. In spite of the adverse circumstances, it provides for an increase in the central plan of 17 per cent. If this money is fully utilised, by 1988-89 end more would have been spent in monetary terms on the Seventh Five-Year Plan in four years (Table 1). Even when full account is taken of the price changes since 1984-85, the progress of the central plan on the financial front in real terms gives no cause for complaint, as 86 per cent of the plan is fulfilled. There is a likelihood that the central plan may be over-provided for.

But the plan is composed of both the central and states plans. It is surprising that the finance minister's budget speech, which deals in some detail with the progress on the plan front, contains no mention of how the state plans are faring nor of their total and sectoral allocations which earlier used to figure in 'Budget at a Glance'. The picture that one gets from other sources is somewhat disturbing. In the first three years of the Seventh Plan, whereas the centre spent in money terms 72 per cent of the approved plan outlay, the states are estimated to have spent only 60 per cent (Table 2). The approved outlay for the states for 1988-89 plan is only 8 per cent more than in 1987-88, not enough to a tone for the price rise.

#### SECTORAL PLAN ALLOCATIONS

The success of a plan does not depend only on the overall financial provisions in monetary or even real terms. Assuming that the plan allocations among sectors were well thought out, it depends upon how much they

ve been stuck to, and on how effectively noney is spent tested by the yardsticks which the planners had in mind in making the allocations. It is clear from Tables 1 and 2 that in the centre for 1985-89 and the states for 1985-88, less has been proportionately spent on agriculture and irrigation and flood control than provided for in the five-year plan allocations.

#### **ALLOCATIONS TO AGRICULTURE**

It sometimes happens that the sectoral allocations in the plan either because of original errors in estimates or because of inefficient use do not yield the physical targets they were credited with. As soon as such discrepancies are discovered, they should be corrected. The budget is the best time for doing so. The very severe drought of 1987-88 has served one useful purpose. It has reminded us of the fact that the highest foodgrains production of 152 million tonnes was achieved in 1983-84, four years ago, and by now we have fallen much short of our foodgrains production target. It has been a signal for revising our agricultural growth strategy and making it more agroclimatic zone-specific and covering more dryland and more crops. The allocation to the Department of Agriculture at the centre. has been increased by 40 per cent from Rs 551 crore in 1987-88 budget to Rs 771 crore in 1988-89. Since agriculture is a state subject, the state plan allocations for 1988-89, when known, will bring out the new recognition given to agriculture as a priority sector; the sectoral central plan allocations do not fully reflect this. On the credit side, however, much more will be provided. Farmers in drought-prone areas will be given loans at cheaper interest rates and loans will be rescheduled to mitigate the financial conditions of the farming community. 17 per cent of the public sector banks outstanding advances will be reserved for direct finance to agriculture. It is estimated that for 1988-89 Rs 3,000 crore additional rural credit will be provided by the banking sector. Marginal farmers in drought-prone areas will be provided with pump-sets for Irrigation at nominal rental/lease charges under a special programme called Jaidhara. Above ail, a new strategy has been evolved to cover the credit needs of every village. Excise and customs duties on essential agricultural inputs have been reduced or abolished.

#### INDUSTRIAL SECTOR

While industry, on the whole, has done well during 1985-88, there are specific individual industries which have fared badly, and which need special attention. Of these, the worst affected is textiles, which has become a sick industry. Extensive relief in duties amounting to Rs 275 crore has been provided for it. Cement, paper, plastics, and drugs have have been specially chosen for special revival treatment through reduction In customs or excise duties, Computer and electronics as sunrise industries, the export sector and industries calling for radical upgradation and modernisation have been given special tax concessions. To encourage rural co-operatives excise duty has been removed on many articles produced by their members. Housing, a relatively neglected sector, and rural housing specially has been given more credit at cheaper rates for small and marginal farmers and the landless.

#### OTHER PROVISIONS

Besides taking immediate corrective measures to alleviate the stresses and strains of the economy and providing finance for. the plan, the budget has to see that as far as it lies within its power, other conditions conducive to the success of the plan are created and maintained. Briefly, these may be defined as (i) provision for necessary nondevelopmental services, for non-plandevelopmental services, and plan and nonplan assistance for states, (ii) ensuring enough savings in the community to provide capital for both the public and private sectors, and (iil) maintain price stability so that distribution does not become inequitous. and public discontent is minimised.

Without entering into a detailed discussion, we may note that of additional expenditure of Rs 10,121 crore provided for in 1988-89 central budget, Rs 7,902 crore (78 per cent) was for non-plan purposes, and Rs 5,088 crore (50.4 per cent) was non-developmental expenditure (Table 3). Compared with 1987-88 budget 12 per cent more was provided for plan assistance to states and 16 per cent more would accrue to the states by way of their share of tax revenues (Table 4).

#### DANGER SIGNALS

A few danger signals to development and planning can, however, be seen on the horizon. With its pressing need for funds, which was enhanced because of the aftermath of the 1987 bad monsoon, the government was under grave pressure for additional resource mobilisation. The measures it could think of were (a) a surcharge of 5 per cent on income tax, 10 per cent on wealth tax, and of 5 per cent on excise duties (with very well-conceived exceptions) and maintenance of auxiliary duties on customs, with certain modification, (b) a very mild inheritance tax, welcome as a symbol of a desire to do something towards reduction of the least defensible inequity, with revenue implications not worked out, (c) additional excise duties of Rs 100 crore and, (d) new customs' duties of less than Rs 16 crore. The surcharges are avowedly temporary and cannot : be continued for long as they bear all the marks of a quick improvisation. The large. reliefs which had to be provided for to take account of the specific needs of the situa. tion to make the budget acceptable show how difficult the future situation is likely to

TABLE 1: SECTORAL BREAK-UP OF ANTUAL PLAN OUTLAYS FOR CENTRE (SUMMARY)

(Rs crore)

							,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	Seventh Plan: 1985-90 (at	1985-86 (RE)	1986-87 (RE)	1987-88 (RE)	1988-89 (BE)		or 4 Years: to 1988-89
	1984-85 Prices)					Rs Crore	Per Cent of Seventh Plan
Agriculture	4,057	859	902	1,157	1,078	3,996	66.7
	· (4.2)	(4.3)	(3.8)	(4.3)	(3.8)		
Rural development	4,902	1,234	1,541	1.744	1,762	6,281	128.1
	(5.1)	(6.1)	(6.5)	(6.8)	(6.1)		
Irrigation and Ilood control	835	138	163	174	217	692	82.9
	(0.9)	(0.7)	(0.7)	(0.7)	(0.8)		
Energy	31,492	6,405	7,934	7,937	9,196	31,472	99.9
	(33.0)	(31.9)	(33.6)	(30.9)	(32.0)		
Industry and minerals	18,553	4,914	5,025	4,912	4,789	19,640	105.9
	(19.4)	(24.5)	(21.3)	(19.1)	(16.7)		
Transport	16,320	3,216	4,143	4,639	5,572	17,570	107,7
•	(17.1)	(16.0)	(17.5)	(18.1)	(19.4)	•	
Social services	11,123	1,746	2,156	2,842	3,268	10,012	90.9
	(11.6)	(8.7)	(9.1)	(11.1)	(11.4)	,	
Communication, 1 and B	5,594	1,118	1,061	1,503	1,820	5,502	98.4
	(5.9)	(5.6)	(4.5)	(5.8)	(6.3)		
Science and technology	2,303	406	506	579	751	2,241	97.3
•	(2.4)	(2.0)	(2.1)	(2.3)	(2.6)		
Others	`35 <b>5</b>	<b>` 58</b>	194	214	262	728	205.1
	(0.4)	(0.3)	(8.0)	(0.8)	(0.9)		
Total	95,534	20,094	23,625	25,701	28,715	98,133	102.7
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	,	

Source: CM1E, Review of Central Budget, 1988-89, p 14.

TABLE 2: STATES' PLAN OUTLAY BY HEADS OF DEVELOPMENT

(Rs crore)

Sectors	7th Plan (Approved Outlay) (1985-86 to 1989-90)	1985-86 (Actual Expenditure)	1986 87 (Revised Approved Outlay)	1987-88 (Approved Outlay)	Variation Over the Previous Year (Col 5 Over Col 4)
(1)	2	. 3	4	5	6
1 Agriculture and allied services		· - · · · · · · · · · · · · · · · · · ·			
including co-operation (i + ii)	10468	1062	1337	1441	+ 104
	(13.4)	(8.2)	(8.7)	(7.9)	(+7.7)
(i) Agriculture and allied services	9598	926	1163	1262	+99
	(12.3)	(7.1)	(7.6)	(6.9)	(+8.5)
(ii) Co-operation	870	136	174	179	` +5
•	(1.1)	(1.1)	(1.1)	(1.0)	(+2.9)
2 Irrigation, flood control and		` '	, ,		
power (i+ii)	38736	5950	7018	8671	+ 1653
	(49.6)	(45.9)	(45.5)	(47.6)	(+23.5)
(i) Power	22786	3309	3980	5106	+1126
•	(29.2)	(25.5)	(25.9)	(28.0)	(+28.3)
(ii) Irrigation and flood control	15950	2641	3038	3565	+527
•	(20.4)	(20.4)	(19.7)	(19.5)	(+17.3)
Industry and minerals (i + 11)	3776	752	844	900	+ 56
	(4.8)	(5.8)	(5.5)	(4.9)	(+6.6)
(i) Village and small industries	1378	256	275	296	+21
	(1.8)	(2.0)	(1.8)	(1.6)	(+7.6)
(ii) Medium and large scale in-		` ,	` '	, i	` ,
dustries and mining	2398	496	569	604	+35
	(3.0)	(3.8)	(5.7)	(3.3)	(+6.1)
Transport and communications	<b>Š</b> 78 <b>Í</b>	1029	1138	1320	+182
•	<sup>2</sup> (7,4)	(7.9)	(7.4)	(7.2)	(+16.0)
Others	19336	4173	5044	5923	+879
	(24.8)	(32.2)	(32.8)	(32,5)	(+17.4)
Potal (1 to 5)	78097	12966	15381	18255	+ 2874
•	(100,0)	(100.0)	(100.0)	(100.0)	(+18.7)

Note: Figures in brackets in column 2 to 5 are percentage to total while whose in column 6 indicate percentage variation over the previous year, i e, Column 5 over Column 4.

Sources: (1) Planning Commission, Government of India.

<sup>(2) &#</sup>x27;Finances of State Governments, 1987-88', RBI Bulletin, October 1987, p 836.

TABLE 3: HOW THE ADDITIONAL RS 10, 121 CRORE\* WOULD BE SPENT IN 1988-89

(Rs crore)

	Plan	Non- Plan	Total
Revenue	973	8177	9150 (91.5)
Capital and loans	1246	-275	971
			(9.5)
	2219	7902	10121
	(21.9)	(78.1)	(100)
Developmental			5033
			(49.6)
Non-developmental			5088
			(50.4)
			10,121
			(100)

Note: \* This does not include Rs 1,456 crore addition which goes to states by way of their share of tax revenue.

be. Of the Rs 1535 crore additional taxation provided for, reliefs claimed Rs 920 crore so that there was a net additional burden of Rs 615 crore (Table 5).

#### PUBLIC DEBT

The budget shows that at the end of the financial year 1988-89, we are likely to close with a huge public debt of Rs 140 thousand crore and 84 thousand crore other liabilities, i e, a total of 224 thousand crore. These have almost doubled in four years from 113 thousand crore at 1984-85 end. If these were backed by assets they would not be much of a cause of worry. They were so up to 1979-80, but by 1988-1989 end nearly 17 per cent of the liabilities will have no back up of assets. Ever since 1979-80, the centre has got into the habit of having a deficit not only on overall account but also on revenue

Table 4: Resources Transferred and Leni to States and Union Territoriis:
1987-88 and 1988-89

(Rs crore)

	(K\$ crore)			
	1987-88 (Budget Estimates)	1987-88 (Revised Estimates)	1988-89 (Budgel Estimates)	As Per Cem of Total Cen- tal Govern- ment Expenditure
1 Share out of centre's tax revenue	9.206	9,598	10,662	11.7
Union excise duties	6,974	7,003	7,889	8.7
Income tax	2,225	2,589	2,773	3 0
Estate duties	7	6		-tree
2 Loans against small savings				
collections	3,200	3,200	3,450	3 8
3 Assistance outside plan	3,122	3,231	3,607	3.9
Granis	1,865	1,984	2,361	26
Loans (a)	1,257	1,247	1,246	1.3
4 Assistance for state and union				
Territory plans (b)	8,023	9,115	8,880	9.7
Grants	3,331	3,617	3,577	3.9
Loans	4,692	5,498	5,303	5,8
5 Assistance for central and centrally				•
sponsored plan/schemes	3,717	3,781	4,225	4.6
Grants	3,517	3,529	3,973	4.3
Loans	200	252	252	0.3
6 Total transfer of resources				
Share out of taxes	9,206	9,598	10,662	11.7
Grants	8,714	9,131	9,910	10.8
Loans	9,349	10,197	10,251	11.2
Total transfers (gross)	27,269	28,926	30,823	33.7
Total expenditure of the centre	79,866	83,502	91,463	100.0

Source: CMIE, Review of Central Budget, 1988-89, p 70.

TABLE 5: TAX MEASURES IN 1968-89 BUDGET

(Crore)

Taxes	Gross Yield	Concessions	Net Yield
Direct taxes	270.00	201.00	69.00
Corporate tax	-	NA	49.00
Income tax		NA	10,00
Wealth tax		· NA	10.00
Indirect taxes	. 1264.92	719.23	545.69
Customs' duties	515.75		
(a) Auxiliary duty continuance	500.00	209.44	306.31
(b) Others	15.75		
Union excise duties	749.17	<b>509.7</b> 9	239.38
(a) Surcharge	650.00	_	
(b) Others	99.17		
Total	1534,92	920.23	614.69

account, the result being additions to net liabilities. The assets do not yield enough to pay the interest due on liabilities; nearly half has to be paid from other receipts.

Two other features of public debt may be noted. The increase in external debt has been less than that in total liabilities; since 1979-80 it has only increased 2½ times. The average rate of interest on interest-bearing obligations and debt has increased from 4.42 per cent in 1980-81 to 7.24 in 1988-89 1.64 times, and with more loans maturing and debt increasing it may go up further.

Perhaps a consequence of the increased public debt and the inability to finance it in the captive market is the permission to the public sector undertakings to float their own bonds. To make these bonds attractive at lower rates, the government has agreed to extend some tax concessions to it. The 13 per cent wealth tax free bonds have from 1988-89 been made subject to the common limit of Rs 5 lakh but the 9 per cent tax free bonds will continue. The original idea was only to allow those public sector undertakings to float tax free bonds, which could not afford to pay higher interest rate, but this was soon abandoned. In 1987-88 more than Rs 2100 crore public sector bonds were floated; a similar performance is expected in 1988-89. The proportions of tax free bonds and others are not known, but a large part were absorbed by banks and other financial institutions. The important factor to note is that the public sector bonds helped the government in keeping down the increase in their public debt.

The floating of the public sector bonds specially tax-free and opening of other savings schemes with the government on liberal terms has raised the question whether their success is at the expense of the private sector, which must pay interest charges out of its profits and in any case cannot rival tax concessions. Earlier, since the market for low interest paying government loans was segmented, the question did not crop up with increase in the rate of interest on public savings and loans and greater withdrawal facilities, a conflict may arise. We have already mentioned the public sector bonds in this connection, but the PPF, the National Savings Scheme, the Indira Vikas Patra and the Draught Relief Fund may also prove rivals. Statistics reveal that there has been so far no intrusion, and that the organised private sector had its plan requirements fulfilled because of the buoyancy of the capital market. A larger proportion of savings has flown into it but as yet it cannot be ascertained at whose cost.

#### SAVINGS INCENTIVES

A disturbing recent tendency has been the stagnation of savings. The government has adopted various devices to induce persons to save more. A progressive income tax-reduces the post-tax rate of return most in the case of those groups which have the greatest ability to save. Tax exemption of sav-

	Total Plan Outlay	Budgetary Support	Extra-Budgetary Support
Sixth Plan	57,825	49,595 (70.2)	17;230 (29.8)
Seventh Plan	95,534	44,846 (46.9)	50,688 (53.1)
	(37,709)	(4,425)	(33,458)
1985-86	19,116	12,870 (67.3)	6,246 (36.7)
1986-87 (RE)	23,625	14,792 (62.6)	8,833 (37.4)
	(4,509)	(1,922)	(2,587)
1987-88 (BE)	24,622	14,923 (60.6)	9,699 (39.4)
	(997)	(131)	(866)
1987-88 (RE)	25,701	15,044 (58.4)	10,657 (41.5)
	(1,079)	(121)	(958)
1988-89 (BE)	28,715	16,000 (55.7)	12,715 (44.3)
	(3,014)	(956)	(2,058)

Note: Figures in brackets below indicate increases over the previous period.

tings or fruits on savings can best neutralise this effect. This will make the tax system less progressive, but in view of the great need for stimulating savings it may be judged as a necessary evil. The scheme of incentives has to be tempered by the need to keep distribution inequalities in check. From that viewpoint four conditions must be fulfilled. (a) Inducements must be confined to net savings invested productively. (b) If on practical grounds tax concessions cannot be extended to all savings, they may be confined to net savings invested in government channels. As soon as these or interest on them is withdrawn, they should be subject to general income tax. (c) Savings, which may be shortly withdrawn, should not be given tax concessions. If for special reasons these have to be given, withdrawal facilities should be restricted and by way of loans which should be repayable. It follows that incometax reliefs or exemptions permitted on interest on bank deposits, public sector bonds, dividends on equities, units, etc, without any conditions as to their use should be done away with. Tax-free interest is out of question. These have the effect of increasing the unduly high income-tax exemption level, and for higher incomes the equivalent pre-tax interest rate becomes usurious. (d) An overall ceiling should be placed on the annual savings which can enjoy tax-free status.

#### RISING PRICES

while rapid economic growth has a favourable effect on poverty reduction, and the growth pattern and anti-poverty programmes can be planned to relieve poverty, price stability especially of the basic needs is the most important condition for success in the combat. The quantum of deficit that we have from year to year of the Seventh Plan bodes ill for any such hope. We have been lucky this year to escape so far with a price rise of 10 per cent but several favourable factors like reduced credit for food, greater imports of commodities in short-supply like pulses, oils and sugar, and drawal of foreign exchange reserves to meet

heavy trade deficits have helped us. We cannot count on the continuance of these factors and must, therefore, aim at reducing deficit financing. An annual price rise of 7.8 per cent, which has been our fate since the Third Plan will prove oppressive, since developed economies have a more stable price situation, it will make our export promotion efforts more difficult.

If we find additional resource mobilisation through progressive land taxation, and effective enforcement of income, wealth and commodity taxation without ill-conceived incentives and reliefs beyond us, the best way left to reduce deficit financing is to increase the receipts from public sector enterprises. In fact, the plan has been kept at its present level only by extra-budgetary support from public undertakings (Table 6). This was the major instrument through which the longterm fiscal policy aimed at maintaining the Central Plan size in terms of GDP at the level of 1984-85, maintaining a higher defence expenditure and reducing deficit and market borrowing. We did succeed in increasing contributions of public undertakings but not enough to create the desired impact. The expected increase in efficiency has not come about, and increases in administred prices do not get the necessary public support. Only one great measure has remained untried-expenditure control. The way expenditure increases from budget to revised budget and revised budget to actuals, and from one annual budget to another has to be curbed. One must recognise that the overall expenditure central and state government has to be restricted for the next few years to one third of GDP, which means an annual increase of less than 10 per cent (on the assumption of 4.5 per cent growth rate and 4.5 per cent price rises and all adjustments have to be within this level. Another long-term fiscal policy will be needed to re-establish some control over expenditure which has been entirely lost. With less of deficit and more of price stability a lower interest rate can be established reducing interest charges and so also profit rate, and debt interest will become

There are several new directions in which the budget makes promising beginnings, like Kutirjyoti, insurance for landless labourers, etc. Each of these is welcome in itself, but one gets the impression that the full financial implications of these have not been worked out. In a resource scarce economy welfare schemes with no immediate productive implications can be only confined to the poorest; if the benefits have on administrative grounds to be immediately confined to some regions or groups, the full costs of extending them to all similarly situated should be worked out, and a decision be taken only then. This forms the essence of the planning approach. In a large country a group-wise approach based on annual cost calculations is tempting, but unless its limitations are clearly understood it is full of dangers as it may divide the nation into segments without harmonisation. The occasion of the budget speech is now legitimately taken advantage of to make policy announcements which have no budgetary implications but which severely affect the working of other financial institutions

One important lesson that we have learnt from the planning experience is the need for decentralisation and the avoidance of a big bureaucratic apparatus at the centre. The budget contains proposals to set up some more all India institutions in subjects which are essentially state ones. These need a second look.

#### Note

1 It may be pointed out that for the highest income-tax wealth-tax paying group, a 9 per cent tax-free return is the equivalent of 22 per cent taxable return.

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# The 1988-89 Budget: Does It Tackle Any of India's Problems?

Arun Ghosh

Is the budget for 1988-89 oriented to solving any of the basic problems of the economy? No; all it attempts is a window-dressing job to elicit popular support.

THERE are all manner of delightful new gimmicks these days. An innovation since last year is a panel discussion on the TV on the union budget, even as the finance minister is giving his budget speech in parliament. Obviously, there is an air of unusual expectancy and interest in a discussion on the budget as messages keep filtering in from the Lok Sabha simultaneously with the unfolding of the budget by the finance minister; one gets a blow by blow account of the revised estimates for the current year, the proposed outlay and the revenue expectations for the coming year, the gap, and the specific (taxation and other) proposals for meeting the gap.

Alas, this gimmick has come to be used for misleading the public. This is not surprising because the budget speech itself is misleading, the figures troited out in the course of the budget speech reveal at best half-truths. After all, few people read the actual budget documents. Indeed, few people have access to the budget documents, and most of those who do-including the chosen representatives of the people in parliament-have neither the time nor the patience to thumb through the voluminous budget papers. The media are under pressure to get into print quickly; the next day's morning papers must carry their 'expert comments'. For the daily papers, the budget would be cold within 48 hours; there are other news stories of greater current interest. So, a little sleight of hand in the budget, and an admirable PR job is done. The press a: well as the man in the street have nothing but praise for the stupendous job done by the finance minister. In a year of obvious constraints of both real and financial resources, he has succeeded in consolidating on the past and yet charting a bold new course for the economy. To borrow a phrase from the world of sports, a goal scored in the opening minute is a game half won.

So give N D Tewari and his advisers in the finance ministry full marks for an eminently successful PR job on the budget. After all, for the politician, the image is the thing. If events turn out badly later, there are any number of alibis available. The threat to security, both external and internal, are now perpetual trump cards. The imadequate performance of the states is a handy excuse. In the last resort, the weather can always be blamed; after all, it is not merely the quantum but also the distribution of rainfall that is really important, and who is going to check on the distribution of rainfall in such a vast country? N D Tewari comes out with

flying colours, no matter where the 1988-89 budget ultimately leads the country.

Am I being less than charitable? After all, has not this year's budget given the correct lead in regard to investment in agriculture? Has not the plan outlay been stepped up despite this being a difficult year? Has not the budgetary deficit been heroically contained to manageable proportions? Has not housing—an obvious employment spinner—been given due encouragement? Also, in regard to the performance of the economy, have not industrial production and exports both shown remarkable, resilience even in a year of unprecedented drought? Should one not take these factors into consideration in passing judgment on this year's budget?

Let me start with the last point, the management of the economy during 1987-88. While there have been many failures and short-comings, there is no doubt that in a year of bad drought conditions over much of the country, three aspects of economic management have been praiseworthy. (They are not N D Tewari's doing; he took charge only recently; but let that pass). First, the government has had the courage and the wisdom to actually (and effectively) use the food stocks available with it to sustain rural employment in some of the worst-affected areas, and thereby avert large-scale famine

deaths. (Some people would doubtless have succumbed as a result of sustained malnutrition, but that does not appear to have been widespread). This positive aspect of the functioning of the union government should not be overlooked by criticis. Secondly, thisyear, one did not hear of any outcries in regard to the non-availability of diesel oil or of electricity to work pumpsets where groundwater Irrigation facilities exist. One recalls the near-riots and the long queues for diesel oil in rural areas in 1979-80, when the late Charan Singh, a great friend of the farmer, was caretaker prime minister. If Delhi citizens had an unprecedented power cut last winter, this was obviously part of a design because of the sharp drop in hydro-, electric power supply; better to squeeze the hitherto cuddled (elite) Delhi consumer than curtail power supply to agriculturists. Again, all credit to the administration.

Thirdly, the infrastructure industries have generally done well despite diverse difficulties. The output of coal, steel, machinery and equipment, thermal power as well as the railway transport of goods have recorded significant improvement in 1987, and have in turn helped to bring about a reasonable improvement in overall industrial production despite a decline in the supply of agricultural raw materials and in the output of agro-

TABLE 1: SUMMARY OF CENTRAL GOVERNMENT BUDGETARY TRANSACTIONS
(all figures in billion rupees)

	•				•
Year	GDP at Factor Cost*	Total Central Government Exp	Col 2 as Per Cent of Col 3	Deficit on Revenue Account (~)	Aggregate Deficit in Budget (Reve nue and
(1)	(2)	(3)	(4)	(5)	Capital Accounts) (6)
1000 01	1222	220.6	18.0	( )20.4	4 324.0
1980-81	1429			(-)20.4	(-)24.8
1981-82		243.8	17.1	(-) 3.8	(-)13.9
1982-83	1589	296.9	18.7	(-)13.1	(-)16.6
1983-84	. 1864	340.6	18.3	(~)25.4	(-)14.2
1984-85	2067	416,8	20.2	(-)42.2	(-)37.4
1985-86	2333	496.2	21.3	(~)55.6	()49.4
1986-87	2606	596.9	22.9	(-)77.8	(~)82.6
1987-88 (RE)	2892@	661.6	22.9	(~)85.0	(-)60.8
1988-89 (BE)	3181£	. 735.6	23.1	(-)98.4	(-)74.8

<sup>\* (1)</sup> Economic Survey 1987-88. One ought, really, to consider GDP at market price, but unfortunately, the Economic Survey gives figures of GDP only at factor cost. However, the comparison over time is still valid because we have taken the same numerator over the years.

(2) Budget documents of the Government of India.

Notes: @ Estimated by increasing 1986-87 GDP by 11 per cent (to allow for price increase and a small increase in real output).

£ Estimated by increasing 1987-88 GDP by 10 per cent (to allow for projected small growth and a smaller price increase).

based industries. Since most of the infrastructure industries are in the public sector, the government does need to be commended for this performance. Incidentally, as far as the improvement in exports (during 1987) is concerned, this is not an area where one can really give credit to government's liberal licensing and import policies; the really large increases are in gems and jewellery—where the value added is not very high, imports being some 76 per cent of exports-readymade garments and cotton fabrics, leather and leather manufactures, fish and fish preparations, and happily, engineering goods and chemical and allied products. The impact of (liberal) licensing and import policies is reflected only in the last two items; and in both, imports have increased more than exports. Contrary to the claims made in the Economic Survey, our export performance cannot be cited as a positive achievement of government economic policies; our export growth remains fragile, the base contlnues to be narrow. But this is no place to comment on our foreign trade and payments scenario; the relationship between the budget and our trade and payments problem would be discussed later. Suffice it to reiterate that insofar as managing the drought situation is concerned, the performance of the government this past one year deserves to be appreciated, especially when one harks back to the mess made in the immediately previous bad year of 1979-80.

But managing the economy in a crisis situation is one thing; giving it a long-term direction through the budget is quite another. True, in a macro sense, the overall management of the budget appears to be in the right direction, in that the budget appears to be expansionary (in a fiscal sense), counterbalanced by contraction in the money supply (through, for instance, the increase in the Statutory Liquidity Ratio)which should generally be the approach in a year affected by drought, an approach rarely in evidence in the past-yet the overall totals mislead (as we would see from Table 5 later, as well as from the decline, again to be observed later, in the proposed outlay on rural employment and poverty alleviation programmes during 1988-89). These issues come up for more detailed discussion later. Briefly, the budget does not give a long-term thrust to the economy in the right direction, especially considering the major problems that have surfaced over the past few years. This is where N D Tewari disappoints. Where he disappoints even more is in the recourse. he has taken to gimmicks, to a 'sleight of hand' in manipulating figures. He has focused on doing a smooth PR job, to creating an illusion regarding the budget. He has unfortunately forsworn the hard, downto-earth decisions required to give a new thrust to the economy through the budget.

#### OVERALL MAGNITUDES AND DANGER SIGNALS

Let us first look at the overall budgetary transactions of the central government. The

following figures (Tables 1 and 2) speak eloquently.

The above two tables speak volumes; they bring out succinctly, the failure of the central government to raise (non-inflationary) resources for development; and they reveal the gradual loss of control of the government over public finance. It would be seen from the above broad magnitudes, first that central government expenditure has gone up from 18 per cent of the GDP in 1980-81 (only 17 per cent in 1981-82) to some 23 per cent over the past three years; secondly that. nonetheless, plan outlay as a percentage of total expenditure has declined from 41 per cent in 1980-81 (as much as 42 per cent in 1981-82) to only 35 per cent in 1988-89; thirdly that defence expenditure and interest payment together have gone up from 28 per cent of total expenditure in 1980-81 to 37 per cent in 1988-89; and finally that the failure of the government to raise (non-inflationary) resources for the plan generally and for investment outlay in particular emerges sharply from the steep increase in the deficit on revenue account, from Rs 20 billion in 1980-81 (only Rs 4 billion in 1981-82) to Rs 98 billion in 1988-89. In other words, throughout the decade of the eighties, the government has had to borrow even to meet its current expenditure, and this has been getting increasingly worse. The uncovered budgetary deficit, after taking note of diverse capital receipts and internal and external borrowing, has also been widening to large proportions of late. In this last context, be it remembered that it is not the absolute amount of deficit in any one year that is really worrying. As the governor of the Reserve Bank of India said during the TV panel discussion on the budget (while the finance minister was announcing the budget in the Lok Sabha), it is the large and sustained budgetary deficit year after year that is worrying. Let me add yet another dimension to the problem. It is not the deficit per se that is a matter of concern, but the fact that the deficit is not related to productive investments (of a quick maturing character); in fact, the deficit arises largely because of burgeoning unproductive expenditure on defence, internal security et al.

The real danger for the future arises from

our refusal to raise more resources through direct taxes, and our failure to get larger profits through efficient operation from public sector enterprises. In fact, as widely commented on in the press, the steady increase in the prices of products and services offered by public sector enterprises (which are monopolistic)—an operation which has now been delinked from the budget, and thus taken out of the purview of parliamentcan only have an inflationary Impact on the economy; and the impact of indirect taxes likewise is price raising. On the other hand, increased borrowing is fast beginning to be counterproductive, as Table 3 below would indicate.

It would be seen that while we have not yet got caught in the 'internal debt trap', we are fast heading that way; and the rate at which the outstanding public debt is increasing, interest payments and the repayment of principal may soon equal (or even exceed) our gross borrowings. Indeed, as long as the government places rellance on borrowing even to meet its revenue expenditure, this

TABLE 3: SELECTIVE LOAN OPERATIONS
BALANCE SHEET OF CENTRAL
GOVERNMENT 1988-89

(Rs billion)

(1/2)	s oution)
1 Net market loans	70.0
2 Less (a) interest on market loans	(-)47.8
	22.2
(b) Discount on Treasury	
Bills	(-)13.5
(c) Interest payment on	
other internal loans	
(other than small savings)	(-) 8.9
3 Net receipts from market bor-	
rowings (other than credit from	
the RBI)	0.3
4 (a) Small savings (gross,	
incl. states share)	46.0
(b) Provident funds	10.0
5 Less interest on	
(a) Small savings	(-)25.0
(b) Provident funds etc.	(-)30.2
	(-)55.2
6 Net receipts from small	, ,
savings, provident funds, etc,	
(including deposits from LIC,	
GIC, etc).	40.0

Table 2: Broad Pattern of Central Government Receipts and Expenditure (Percentage of Total)

	Tax Revenue as	Percentage of Total Expenditure		
	Percentage of Total Receipts	Plan Expenditure	Defence Expenditure	Interest Payments
1980-81	47.8	40.8	16.3	11.8
1981-82	50.2	42.0	17.8	13.1
1982-83	46.4	40.1	16.9	13.3
1983-84	47.3	41.2	17.1	14.1
1984-85	46.5	39.9	16.0	14.3
1985-86	47.4	40.1	16.1	15.1
1986-87	47.3	38.4	17.6	15.5·
1987-88 (RE)	47.2	37.7	18.1	17.3
1988-89 (BE)	47.8	35.0	17.7	19.2

Source: Budget documents of the Government of India.

situation is certain to plague, our future finance ministers. After me, the deluge.

#### SLEIGHT OF HAND

These are long-term concerns which N D Tewari has chosen to ignore. But why do I charge him with using a 'sleight of hand' to mislead? The budget claims: (a) that it is agriculture-oriented; (b) that it gives a push to rural housing; and (c), that it provides consumer relief. But we know from experience that

(i) Budget provisions per se mean nothing; we have the experience of large budget provisions being made for bold, new programmes announced at budget time, for which no funds are released, and the revised

estimates merely show either a token outlay or sometimes none at all. Meanwhile, the publicity advantage of the bold initiatives remains;

(ii) There is no net gain in starving worth while ongoing programmes, and announcing parallel new schemes, particularly because the latter call for new organisational effort; much of the funds assigned for development go to meet the staffing and establishment costs of the new project.

A few examples would suffice. Last year's budget speech by the prime minister made the following announcement: "The central government has again earmarked Rs 125 crore in 1987-88 for the Indira Awas Yojana. Under this scheme, one million houses will

be built during the Seventh Plan period for the scheduled castes and the scheduled tribes." Well, search as you may, you cannot find in the various budget documents for 1988-89 any mention of an allocation for the Indira Awas Yojana during 1987-88, nor for 1988-89. And now here's what N D Tewari has to say, "... last year, the prime minister emphasised the high priority of the housing sector and had announced the decision to set up a National Housing Bank with an initial capital of Rs 100 crore. Necessary legislation has been passed..." Apparently, the responsibility has now been quietly palmed off to the Reserve Bank of India. Let us see what the budgetary allocation under Demand No 74, Major Head 4216 'National Housing Bank' is stated to be:

(Rs crore)

ore) 1987-88 1987-88 1988-89
9 Budget Budget Budget

15.03 National			
Housing Bank	4.00	0.00	0.01

N D Tewari is not starting a new tradition; he is only following his superior and predecessor in making brave announcements during the budget speech, and then consigning them to oblivion. In any case, the funding of rural housing is to be the responsibility of the Reserve Bank of India, and if nothing much happens, the RBI can always be blamed.

Or take again two items taken from the budget from the ministry of agriculture in regard to matters of vital importance (Table 4).

Where, one may ask with some justification is the need for a new 'thrust project' for oilseeds development il the 'National Oilseeds Development Project' has been working well? And if it has not been working well, why increase the revised estimates (for 1987-88) to more than double the budgeted figure? Similarly, the revised expenditure for the National Watershed Development Programme is less than one-fourth the budgeted outlay for 1987-88; by jacking up the proposed outlay five times, are we not merely showing a high budgeted figure which we may be entirely incapable (organisationally) of spending?

The enormous divergences between budgeted figures and revised estimates are indicative of either incompetent budgeting capability or deliberate padding in the budget figures. We would have several occasions later to see examples of wide divergences between the budgeted figures and revised estimates (or, actual expenditures). For the present, let us examine the possible impact of the increased outlay during 1988-89 even in a strictly Keynesian sense, (Table 5).

The figure of Rs 2,728 derived above as the expansionary impact of the budget during 1988-89 is no more than 4 per cent of the aggregate central outlay of Rs 66,151 crore in 1987-88 (revised estimates). In this connection, three points need to be high-

TABLE 4: PLAN OUTLAY BUDGET AND REVISED ESTIMATES FOR SELECTED EXPENDITURE HEADS (Rs crore)

			(N3 LIDIE)
	1987-88 Budgei	1987-88 Revised	1988-89 Budget
1 (a) National oilseeds development project	17.5	36.5	17.5
(b) Oilseeds production thrust project  National watershed development programme for	-n		35.0
rainfed areas	27.5	6.4	30.0

TABLE 5: SUMMARY OF OVERALL BUDGETARY TRANSACTIONS

(Rs crore)

			(KS CTOTE)
	1987-88 (Revised)	1987-88 (Budget)	Increase (+) Decrease (-)
Revenue Expenditure			
1 interest payments	11450	14100	(+)2650
2 Defence	8893	9128	(+) 235
3 Major subsidies	5370	6391	(+)1021
4 Other non-plan expenditure	10893	12317	(+)1424
5 Plan expenditure (revenue account)	6166	6887	
(a) State and UT plans	3847	3817	(-) 30
(b) Central plan	6166	6887	(+) 721
6 Net increase in (4) and 65)			(+)2115
Capital Expenditure			
7 Defence capital of which	3107	3872	(+) 765
(i) aircraft and engines	1193	1502	(+) 309
(ii) other equipment	576	857	(+) 281
8 Other non-plan capital expenditure	1523	2038	(+) 515
9 Plan expenditure			
(a) State and UT plans	6034	5897	(-) 137
(b) Central plan	8878	9113	(+) 235
10 Net increase in (8) and (9)			(+) 613
II Total expansionary impact of budget (other than outlay of defence and on income			•
transfers)			(+)2728

TABLE 6: OUTLAY OF MINISTRY OF AGRICULTURE

(Rs crore)

	1987-88	1987-88	1988-89
	Budget	Revised	Budget
! Crop husbandry	239.2	287.0	393.0
2 Other services	<b>₹ 301.7</b>	316.0	339.1
Research and education	179.9	172.9	201.2
4 Sub-total	720.8	775.9	933.3
S Rural development	2066.3	2156.9	2218.7
6 Fertillsers	2356.0	2815.0	3440.5
7 Total	5143.1	5747.1	6592.5

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lighted: first, interest payments and major subsidies are of the nature of transfers to a class which may be expected to 'save' much of the additional income (though this may not be true of all subsidies); secondly, of the increase in defence expenditure, much of it may be dissipated abroad (in Sri Lanka). while much of the defence capital outlay appears to be for imported hardware (Rs 590 out of Rs 765 crore); and finally, total transfers to states show a decline of Rs 167 crore. We have no idea of other imports by government, and such imports (for projects) must reduce the expansionary impact of government expenditure.

To go back to N D Tewari's claims that the 1988-89 budget is agriculture-oriented, gives a thrust to rural housing, and provides consumer relief, one is constrained to note

(a) Though the plan allocation for agrlculture has been increased noticeably, yet two major points to remember in this connection are first, that the increases appear to be heavily weighted in favour of the 'rich farmer lobby' rather than in favour of the poorer farmers; and secondly, that the proclivity to announce grandiose new projects can either imply that there is no genuine intention to pursue the (new) project, or that the schemes are intended essentially to promote the professional career of civil servants and technocrats (who help to draw up new schemes) rather than to benefit the common man; and

(b) As far as relief to the common man is concerned, some of these would be laughable if they were not so banal. The duty concessions on consumer articles cover elec-

tronic toys (for the spoilt kids of the noveau riche) and pencil sharpeners (1); electric appliances, again for the rich, urban middle class; tableware (again for the rich, urban middle class); quartz clocks-to promote punctuality (!) not to assist the industryand 'sindoor, kajal, alta', described by Tewari as 'symbols of glorious and devout womanhood'.

#### VITAL ISSUES IGNORED

But we must leave behind the banal and turn to more vital issues. Let us attempt a more detailed examination of the budgetary outlay concerning some of the urgent problems facing the nation. In what follows, the issues examined are, in that order, expenditure on agricultural programmes and on rural poverty and unemployment alleviation; the outlay on afforestation, restoration of environment, and dryland farming (including watershed management); the expenditure on education (which is stated to have been increased significantly); outlay on defence and internal security; and transfers to states.

The budget for the ministry of agriculture is under five main heads: crop husbandry (including agricultural statistics) other services (covering soil and water conservation, animal husbandry and dairy development, fisheries and co-operation); agricultural research and education; rural development (which we would examine separately); and fertilisers. It is really under the last head that we have the largest increase as Table 6 would bring out

One must laud the increases in the outlay on several worth while programmes of agri-

(Rs crore)

culture, even though the sum total of outlay on these heads is not much. In particular, increases in the outlay on the promotion of rice production in the eastern region, on oilseeds production (though, as noted earlier, the increase is sought to be achieved through a new programme at the expense of an ongoing programme), on schemes for small and marginal farmers, are all in the right. direction. Unfortunately, the budget papers this year give little detail; the notes in Volume 2 of the expenditure budget are quite skimpy and even cryptic. Some of the really good programmes appear to be halting, as if the government were acting without conviction. Note, for instance, the following provisions for the development of organic manure and bto-fertilisers given in Table A, which we ought to promote in a big way (and for which, the possibilities by way of bluegreen algae in humid, water rich areas are enormous).

The really big increase is in budget for the department of fertilisers wherein the subsidy on fertilisers has been increased significantly. as shown in Table B.

During the TV panel interview on the budget, the government spokesman said there is a lot of accumulation of fertiliser stocks, and a price rebate of 7.5 per cent is to be offered by companies to reduce their inventories. If that is the position, why do we increase the subsidy on imported fertilisers? Prices abroad are going down; are we planning to import more fertilisers even though demand is flagging and indigenous production is going up?

#### **RURAL DEVELOPMENT**

A big disappointment in the 1988-89 budget is the slashing of the provision for rural employment and for other poverty alleviation programmes. Let us take a quick look (Table 7).

It would be seen that the budget provision for 1988-89, for the three programmes, IRDP, NREP and RLEGP taken together, is less than the revised estimate for 1987-88. It is not clear why the revised estimate for 1987-88 for DPAP-which really involves works programmes in drought-affected areas for minor irrigation—should be so much less than budgeted for 1987-88, and the same goes for the programme for the development of desert areas. The increase in the provision for water supply and sanitation during 1988-89 looks good on paper; the programme is entrusted to the Public Health Engineering department when the panchayats (or other local authorities) could do the job better, cheaper and faster.

But one has only to compare the allocations for rural development as against fertiliser subsidies to realise for whom the bulk of the benefits of central government expenditure are intended.

The prime minister has been talking of environment, of the importance of forestry, of the need to restore our environment. Incidentally, a little-known fact relevant in this context is the steady loss of good, arable

TABLE A

	1987-88	1987-88	1988-89
	Budget	Revised	Budget
Development of organic manures and bio- fertilisers (budget heads 2401, 3601 and 4401	6.9	2.7	6.4
TARLE B			(Rs crore)
	1987-88	1987-88	1988-89
	Budget	Revised	Budget

			(115 (10.1)
	1987-88 Budget	1987-88 Revised	1988-89 Budget
Subsidy on indigenous fertilisers Imported fertilisers	1750 160 1910	2050 160 2210	2750 250 3000
***************************************			

TABLE 7: SELECTIVE OUTLAYS	ON KURAL DEVE	IJ/FMEN I	(Rs crore
	1987-88 Budget	1987-88 Revised	1988-89 Budget
Special programmes for rural development			
1 IRDP	310.0	297.0	346.2
2 RLEGP	725.0	682.0	730.0
3 NREPs	480.0	652.9	529.4
4 Sub-total	1515.0	1631.0	1605.6
5 Water supply and sanitation	390.0	389.8	430.0
6 Drought prone areas programme	46.5	36.5	51.3
7 Development of desert areas	39.0	33.6	50.0

**FESTIVAL OF THE USSR** 



INDIA 1987-88

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and through erosion, soil degradation, etc, to the tune of some 2.5 million hectares per year.

Soil conservation and afforestation outlay are divided between the ministries of agriculture and of environment and forests. At the cost of a little repetition, let me reproduce the relevant figures (Table 8).

Two brief comments. First, as would be seen, budgetary allocations—though certainly first step—mean little; it is the actual pursuit of the programme (reflected in actual outlays, hopefully) that is relevant. Secondly, compare the above outlays with our space programme, or with nuclear energy, as in Table C.

The relative priorities of the central government are clear. Even the ministry of water resources gets much less than space, and less than half of atomic energy. The thrust for soil conservation and afforestation is only in the matter of public speeches.

#### **OUTLAY ON EDUCATION**

Education is deemed to be the first prerequisite of development; indeed, basic general education for all citizens is a must if we wish to develop on a wide front. Spokesmen of the central government keep reminding us that education is a concurrent subject, that primary (as also secondary) education is the responsibility of the states. But then industry is a state subject under the constitution; that has not prevented the central government from investing heavily in industrial undertakings. As of March 31, 1986, as many as 211 public undertakings under the central government reported having a capital employed of Rs 43,096 crore.

Last year, the central government started a wholly desirable effort to promote and upgrade science laboratories, and to modernise engineering laboratories and workshops. The revised estimates for the former show a big drop, the budgeted figures (for 1988-89) for the latter show a decline. On the other hand, the questionable Navodaya Vidyalaya—why not upgrade the existing central school—shows remarkable relative resilience in the matter of expenditure. Table 9 below indicates, again, where the priorities of the central government lie:

True the total provision for education has gone up by 31 per cent in 1988-89 (as compared to the revised estimates for 1987-88), but the total provision for technical education has declined. The central government does not, in any case, spend on primary education, and the subsidy given for white printing paper for school exercise books and text books has remained unchanged at Rs 24 crore. Also, the central government can spend Rs 543 crore on secondary education, but cannot help out with the spread of primary education through the TV on the 'open university' principle.

There have been enough comments on the steady increase, over the past few years, in our defence expenditure. Central government expenditure on the police and paramilitary forces has gone up from Rs 1,053 crorc in 1987-88 (revised) to Rs 1,233 crore in 1988-89' (budget)—an increase of 17 per cent. One must remember in this context, first, that security of VIPs/VVIPs is only partly included under this head; and secondly, that there are diverse other heads of expenditure hidden away (under cabinet secretariat and other major heads), which are related to the maintenance of 'internal security'. One has to recall in this connection that expenditure on police (and the maintenance of law and order) fall within the purview of the state governments.

TABLE C

	•		(Rs crore)
Departments of	1987-88 Budget	1987-88 Revised	1988-89 Budget
1 Space	347.9	347.8	341.8
2 Atomic Energy	671.8	696.0	732.8
3 Water Resources	310.4	310.4	345.9

TABLE 8: OUTLAY ON SOIL CONSERVATION, AFFORESTATION, ETC

			(Rs crore,
	1987-88 Budget	1987-88 Revised	1988-89 Budget
Ministry of Agriculture			
1 National wattershed development programme	27.5	6.4	30.0
2 Reclamation and management of alkaline soil	4.0	2.0	5.5
3 Soil conservation in catchment of river valley			
projects	20.4	21.4	22.5
4 Integrated watershed management in catchments			
of flood prone rivers in Indus-Gangetic basin	11.3	11.3	11.5
5 Other soil and water conservation schemes	4.7	3.4	4.5
6 Sub-total	67.9	44.5	74.0
Ministry of Environment and Forests			
7 Forest conservation, development and			
regeneration	·3.9	2.3	4.3
8 National wastelands development programme			
(including decentralised nurseries)	66.5	60.3	68.0
9 Grand total	138.3	107.1	142.3

TABLE 9: SELECTIVE BREAK-UP OF EXPENDITURE ON EDUCATION

			(Ris crore,
	1987-88 Budget	1987-88 Revised	1988-89 Budget
1 Secondary education of which	467.1	- 407.9	542.6
(a) Navodaya Vidyalaya	69.0	59.0	69.0
(b) Promotion of science laboratories	19.0	6.9	18.9
(c) Vocational education	48.5	30.0	45.7
(d) Free education for girls	( 9.5	9.5	8.5
2 University and higher education	293.3	354.1	598.2
Technical education of which  (a) Modernisation of engineering laboratori	263.8 es	<b>269</b> .9	245.5
and workshops	50.0	50.0	43.0
Total of education (including other heads)	1210.8	1209.3	1584.8

#### CENTRAL TRANSFERS TO STATES

This brings us to the vexed, and oftdebated point about central assistance to states. First, the point must be made that much of the transfers to the states from the central budget is statutory; the constitution lays down certain transfers and enjoins on successive finance commissions to similarly lay down certain additional transfers. The fact that all such transfers are shown in the central budget does not make them part of central munificence to states. Let us take a look at some of these statutory (or semistatutory transfers). For convenience, we may now omit the budget provisions for 1987-88, and look at only the revised estimates for 1987-88 and the budget provisions for the coming year (Table 10).

The above transfers are, in a sense, of the same type as the share of the states in the income tax and excise duty collections (which are shown in the budget net of the states' share). So, these amounts should not figure at all in any discussion on centre-state financial transfers. And yet, they figure in every statement and all discussions on central transfers to states. Let us look at the other budgetary transfers (Table 11) from the centre to the states.

As against the above transfers, let us take a look at the return flow of funds from the states to the centre, by way of interest on and amortisation of past loans (Table 12).

Two points would be at once clear. First, the budget provisions for total transfers to states during 1988-89 is less than the revised estimate for 1987-88. Secondly, considering loans from the centre to the states, there is a reverse flow of funds; amortisation and interest payments exceed the new loans made. During 1988-89, the reverse flow is as much as Rs 1,723.4 crore.

#### CONCLUDING REMARKS

It is obviously not possible to comment on all aspects of the budget in a single article. No attempt has been made here to analyse the impact of resource raising except to make the general point regarding the need in recent years for borrowings to cover even revenue expenditure. How close we are to the debt trap has been indicated in that context. The main effort in the foregoing paragraphs has been to show how even as regards the direction of central government expenditures, we are by and large chasing the shadow rather than the substance of the major problems facing the Indian economy.

What are these problems? Abysmal poverty for a large section of the tural landless worker for whom we cannot provide employment opportunities. Low level of education which prevents the build of our population from increasing its productivity. Enormous uncertainty in regard to agriculture, which still depends heavily on the monsoon. Steady degradation and deterioration of the soil as a result of deforestation, resultant soil erosion and unscientific (and uneconomic) usage of our water resources. These are not only urgent problems; lack of their solution will aggravate our problems in the future.

Is the budget oriented to solving any of these basic problems of the economy? The sad conclusion is, no; the budget attempts a window-dressing job to elicit popular support; it does not seek to tackle any of the above major issues facing the economy.

There is yet another major problem, to which reference has been made at the outset, which has not been discussed at all: that is the problem of self-reliance in the matter of external payments. The budget is not the only—or even the major—policy instrument in this context; one has to use industrial policy and trade policy to achieve self-reliance (apart from tackling the problem of food security and the growth of agricultural production). Nonetheless, the budget has a direct link to the problem of self-reliance, and that point needs to be explained.

TABLE 10: STATUTORY (OR NEAR STATUTORY) CENTRAL TRANSFERS TO STATES

		(Rs crore,
	1987-88 Revised	1988-89 Budget
I Grants under Article 275(1) of the constitution	1212.1	1266.0
2 Grants in lieu of tax on railway passengers fares .	95.0	95.0
Grants for railway safety works (transfers from the railway		
safety works fund)	4.2	6.1
Write off of loans in terms of 8th Finance Commission		
recommendations	81.0	81.0
5 Sub-total	1392.3	1448.1

TABLE 11: CENTRAL GRANTS AND LOANS TO STATES		(Rs crore)
	1987-88 Revised	1988-89 Budget
1 Grants/loans for state plans		
(a) Block grants	3280.8	3178.2
(b) Block loans	5200.3	4986.6
(c) Loans to rural electrification corporation	107.8	105.0
Sub-total	8588.9	8269.8
2 Loans to cover gaps in resources	5.6	
3 Grants on account of natural calamities	150.0	200.0
4 Grants for Suilej-Yamuna link Canal	40.0	40.0
5 Grand total	8784.5	8509.8
of which (a) Loans	5353.7.	5131.6
(b) Grants	3430.8	3378.2

Table 12: Amortisation of and Interest on Past Loans from Centre to States
(Rs crore)

	1987-88 Revised	1988-89 Budget
1 Recoveries of loans from states and UTs (with legislatures)	2606.6	2988.0
2 Interest receipt from states and UTs	3212.0	3867.0
Total	5818.6	6855.0

Self-reliance does not imply insularity in regard to trade repayments; it implies viability. The budget has two major influences on such viability. First, it is well known that there is a direct link between overall balance (between supply and demand) in an economy and its external balance. The budget is an important instrument for bringing about overall balance within the economy. Quite clearly, with the central government budget itself hopelessly out of balance, the budget today can only aggravate rather than moderate the imbalance between overall supply and demand within the economy. Thus, the failure of the government to raise enough resources for its plan outlay leads to the aggravation of this overall imbalance. There is yet a second (and a close) link between the budget and external viability. To the extent that the government borrows abroad to meet, at least partly, its budgetary deficit, it is building up a future liability on India's external payments account; the amortisation of the principal and the payment of interest on past external borrowings has to be met by creating an export surplus. Thus, the direct payments liability arising out of the manner of financing plan outlay becomes a factor in external viability.

Our external debt repayment liability during 1988-89 is shown in the receipts budget as follows:

	(Rs crore)
1 Repayment of principal	1383.5
2 Interest paymets	1257.8
Total	2641.3

These payments presumably do not include repayments to the IMF, nor, of course, the repayment of loans incurred by the private sector. Our exports during 1986-87, as per the Economic Survey, were Rs 12,567 crore. Assuming exports to be 33 per cent higher than this figure during 1988-89which exceeds all past rates of growth-our exports would be around Rs 16,756 crore; and our debt repayment liability would be nearly 16 per cent of this high (projected) value of Indian exports during 1988-89. Various experts have estimated that if IMF repayments and other liabilities were to be added, our debt repayment liability may exceed 20 per cent of exports, which figure is regarded by the international community as the limit beyond which we may fast endanger our external payments viability. In fact, even the Economic Survey projects our debt repayment liability to reach 24 per cent of our exports over the coming years. There is no need to enter into a polemic over this issue here; suffice it to mention that the manner of raising resources for our planwhich is a major responsibility of the budget-has in recent years led to grave risks of India getting Into an external debt trap.

With these major problems looming large in the future, is finance minister N D Tewari really justified in resorting to cheap gimmicks to gain temporary popularity? Is no one, not even the finance minister, really concerned about our long-term future?

## Budget 1988-89

## Diminishing Returns of Unchanged Fiscal Policy Regime

#### Arun Kumar

The budget for 1988-89 gives the impression that it neither has any long-term nor any short-run strategy to tackle the serious crisis facing the rural sector of the economy. Does this imply a certain incapacity of the state to intervene in the economy to bolster the interests of the classes it has been representing or has the nature of the coalition changed with the growing crisis in the economy?

THE budget of the government of India is important for analysis of policy. It is supposed to reflect government's own analysis of the trends observed in the past year and suggest changes for the coming year, to meet any emerging crisis or to give overall direction to the economy. However, over the years; the budget has been devalued by the centre's pre and post budget exercises (see Table). This makes the task of discerning overall trends difficult.

Such exercises keep the resource raising in the budget to a minimum and allow the government to put a gloss over its policies. This year was no exception with the government raising about Rs 3,000 crore in additional revenue over and above that which was planned for in the previous budget. Through the budget, the government is proposing to raise Rs 549 crore in 1988-89. Yet, this year's budget is critical because 1987-88 was a difficult year and 1988-89 promises to be more of the same. In effect continuing past policies may not be adequate (not that the critics thought them to be adequate) and new initiatives may be needed.

#### I A Drought Year

As one looks back to 1987-88, the principal economic event has been the failure of the monsoon in 1987. This led to a serious drought over two-thirds of the Indian land mass, including the most fertile regions in the country like, Punjab, Haryana and west UP. These are also the areas which have better protection against failure of the rains and whose surpluses are critical for the government's anti-inflation and the public distribution programmes. Consequently, though the impact of the drought in these regions was minimised, any reduction in the surpluses they provide reduces the flexibility of government's actions.

In Kumar [1987d] it was suggested that the decline in the foodgrains output in kharif 1987 could be as much as 33 million tonnes over that of the previous peak. Rains in late August and early September allowed some respite but a loss of 30 million tonnes is quita likely. Good rains in September-October in Tamil Nadu, Andhra, Karnataka and parts of Maharashtra would have allowed some late sowing but not complete

recovery from the earlier failure. Prospects for rabi sowing in these areas also improved.

The government hoped to recoup some of kharif losses in the rabi season. Thus, it had set a target for rabi output which was about 15 million tonnes over the previous peak. However, according to most serious analysts, this is an unlikely prospect. But in the absence of adequate moisture and water at the time of sowing, there are reports of a switch of area out of wheat to oil seeds like, mustard. Consequently, it is doubtful if the rabi output would even reach the previous peak level.

The foodgrain stocks which were at a level of 23 million tonnes on June 30, 1987, the start of this crop year, are now reported to be down to about 14 million tonnes. This after the government's claim of a 5 million tonnes procurement in the just ended kharif season. In other words, the total releases must have been about 14 million tonnes in the previous 7 months. This is 2 million tonnes per month. Thus, assuming that the stocks available are fit for consumption, by June end the buffer would consist almost entirely of what can be procured in the coming rabi crop. Since rabi surpluses are uncertain and it is said that about 5 million tonnes of the present stocks are unfit for human consumption, there will be little left for carry over to the next crop year 1988-89.

This is indeed a precarious situation for the economy. The rate of price rise is likely to go up since hoarding of the available supplies is likely to occur. The rise would originate in food articles and spread to other commodities. The loss of rural incomes and the drought would have an impact on industry [Kumar, 1987d].

Government has claimed an acceleration in the growth rate in Indian industry since 1984-85. Some analysts have disagreed but even if the contention is granted, CSO quick estimates suggest a deceleration in every quarter of 1987-88. This is likely to intensify as a result of the delayed impact of a drought on the industrial sector.

The sector least likely to suffer from the onset of the impact of a drought is the services sector. In fact, it seems to grow at its trend rate of roughly 5 per cent per annum irrespective of droughts and fluctuations in the other sectors. This can be understood in terms of not only the growth of government and its expenditures in a drought year but

also due to the sector being a residual one into which un- and under-employed labour tends to get siphoned off from the material producing sectors [Kumar, 1988].

Further, as a result of the inflation and the decline in the level of output, property incomes as a share of the total are likely to go up. These have been growing in the economy (see Graph I) and their trend would get accelerated by inflation. Thus, what is termed as the 'surplus' in the economy, the factor incomes above wage costs, are likely to rise not only in absolute amount but also in relative terms.

In Kumar [1988], it was argued that the growth of the services sector and the surplus in the economy also fuel a substantial growth in the black economy. This in turn fucls the growth of the surplus. Thus a vicious circle of growth of surplus, black and services is set up and in the conditions currently prevailing in the economy, this triad is likely to grow even faster. This was the setting for the budget for 1988-89. Past policies have encouraged these trends and have led to a growing crisis and an increasing paralysis of policy in achieving its goals. The analysis that follows shows the nature of the growing crisis and also suggests the steps that the government must take to meet it. Inaction or continued drift would lead to its intensification in the coming year.

#### PRICE RISE: IS THERE A DILEMMA?

It has been asked, why a serious drought like the present one has not raised prices more than what has been observed? It is suggested that in the past a serious drought has led to a higher rate of inflation than the present one. One conclusion has been that the drought is not as bad as is being portrayed by some. The government has taken the view that the drought is indeed bad but because of the drought proofing of agriculture and because of its efficient management of a bad situation, the economy has been able to withstand the shock.2 In other words, while the government views the situation as one of credit to its policies, the opponents discount the analysis that the drought is a. serious one.

The rainfall data (and specially if one considers its spread) makes it clear that indeed the drought is the worst of the century [India, 1988]. However, prices have not risen

more sharply because the country had accumulated a massive stock of cereals which have now been released in the market. This kept a check on the rise of cereals prices. Contrarywise for those commodities for which there were no stocks, like, oil seeds and pulses, the price rise has been quite steep. This (latter) has occurred in spite of massive imports of these commodities over the last few years.

More critically, the price rise has been kept under check through sheer cynicism. The public distribution system covers mostly the urban areas and it is here that the buffer stocks of food have been largely released. Demand in the drought hit areas depends on the generation of incomes in those areas. In turn, this depends on starting relief works in a big way. Without such public works, the demand for foodgrains from a bulk of the population in these areas goes down.

In drought years the average per capita consumption of foodgrains in the country declines by about 20 per cent. Since the consumption by the well off and those covered by public distribution does not decline, the bulk of the decline must come from the poor. A decline in demand by 20 per cent would imply a reduction in consumption of about 25 million tonnes in a full year. Given that the drought is the worst and that the government has in its cynicism not started adequate relief works, the decline in demand may have been by more than 25 million tonnes.

As already suggested, the government has mopped up close to Rs 3,000 crore in additional revenue. It has received budgetary support from the import of edible oil whose international prices are reported to be much lower than the internal ones. Finally, decumulation of food stocks is going to lead to a budgetary support to the extent they were already paid for and to the extent that the interest burden on the funds borrowed for the buffer stock operations would decline. These factors would also exercise a dampening effect on demand.

The release of food stocks in urban areas and the massive decline of demand in the rural areas would explain why the price rise has not been more than it has been. The large stocks with the government had the beneficial effect of keeping speculative hoarding in check. But as and when it revives in the coming months now that the stocks have dwindled the price spiral can be expected to aggravate.

#### RURAL UNREST

Anti-inflation steps and cynicism notwithstanding there is another possibility. Rural areas are witnessing a ferment of an unprecedented magnitude. Migration from rural areas in Rajasihan, Gujarat and Orissa has already been reported. Death of cattle population on a large scale is now an accepted fact. However, increasingly, the leadership of the agitations have been with the rich and the middle farmers not the poor.

Since the early eighties, the farmers have been finding an adverse movement in their terms of trade. The prices received by them have been stabilised by the rapid build up of stocks with the government. However, the prices paid by them for their purchases from the non-agricultural sector have risen. Due to the rising component of services and the black in the prices of the final product, the prices of non-agricultural goods have been rising steadily. This is not evident from official data since its method of collection at the retail level, specially of the unofficial premia, is very poor. Be that as it may, there is a deterioration in the terms of trade for the rural community [India, 1988].

To add insult to injury, in 1987-88, the output has declined even for the well-off farmers who had irrigation facility. Acreage has shrunk for irrigated crops and yields have declined while costs have risen. Additional watering and multiple sowing were resorted to. Electricity and diesel consumption went up. Output in the best irrigated area of the country, Punjab, may have declined by 20 per cent. If this is true and if prices have risen only by an average of 7.5 per cent. [April-December 1987-88 from India, 1988], the absolute income of the farmers must have declined. The net income must have declined even more substantially and the income terms of trade continued to deteriorate.

These trends have led to the displacement of the agricultural sector from its dominant position in the economy. This place now belongs to the tertiary sector. Yet, in terms of the work force, it is the agricultural sector that dominates. The tertiary sector with 15 per cent of the work force commands 37 per cent of the GNP while agriculture with 70 per cent of the work force gets only 33 per cent of the GNP. The disparity is enormous and growing.

If the rich farmer lobby gets organised it can take over state power in conjunction with the other rural classes. Their strategy today is to carry along with them the middle and the poor farmers by promising them also a larger share in the pie. They suggest a reorientation of the economic prioritics of the country. They see that if industry paid less to its workers, kept a lower profit margin and reduced its overheads, the industrial goods could become cheaper. They see higher prices for manufactured products and stable prices for their produce as a result of the monopoly over power exercised by the non-agricultural sector. The drought has brought all this home to them even more acutely and they are demanding power for themselves.

#### BUDGET PROPOSALS FOR THE RURAL SECTOR

It is in the above setting of rising rural unrest and possibly with an eye to elections that the budget for 1988-89 offers various concessions to the rural lobby. Input prices are sought to be lowered. Discount on fer-

tiliser price and duty reductions on pesticide have been announced. Subsidy on Janta cloth is to be increased. Various excise and duty concessions are also offered to agriculture and other allied products, food processing and packaging and to products under khadi and village industries commission. A 40 per cent step up in the plan outlay for this sector has been suggested.

Housing finance through the proposed new housing bank and housing through HUDCO are proposed. Pumps at cheap rates of hire or lease are to be made available (Jaldhara Scheme). Electricity connections to the homes of the poor (Kutir Jyotl Scheme). Postponement of recovery of crop loans and a reduction in the interest rates. Provision has been made for insurance through the GIC and LIC. For the SC and ST, there is to be a finance and development corporation. These are high visibility items but how much do they amount to?

The central plan outlay under the heads agriculture, rural development and irrigation and flood control amount to Rs 3,057 crore while they were Rs 3,075 crore in the revised estimates for 1987-88 and at Rs 2,720 crore in the budget estimates for 1987-88. There is no rise over the actual expenditures while over the budget estimates there is a bare 10 per cent increase. The 40 per cent claim is likely to be the result of some statistical jugglery. Further, since there is a substantial step up in the central plan outlay for 1988-89 over 1987-88, in proportionate terms, the share of agriculture has actually declined from 11 per cent in the estimates for 1987-88 (and 12 per cent in the revised estimates) to 10.65 per cent in 1988-89.

Tax concessions through various duty and excise concessions do not amount to much. Fertiliser was already selling at a discount and due to rising stocks, the interest burden on the manufacturers was rising. Concessions on pesticides amount to Rs 5 crore. All such items of concessions together may amount to less than Rs 50 crore. Thus, in the budgetary provisions, there is not much for the rural sector.

What of the other proposals? They do not involve budgetary allocations. The burden would have to be borne by the various agencies, like the HUDCO, LIC, GIC, banking institutions, electricity boards and the like. However, it is doubtful that any substantial benefit would accrue to the poor in the rural areas. This has been the story of the formal sector trying to provide benefits to the rural poor. The access has been inadequate or negligible because of the considerable bureaucracy and corruption involved. However, some benefits do accrue to the rural rich and it is likely that the intention of the policy makers may be to appease them.

Yet, all this is likely to prove inadequate to stem the growing discontent in the rural areas. The issue of additional generation of incomes for the rural poor has not been touched. The question of the terms of trade for agriculture has gone abegging. As will be discussed later, for these issues there is

no solution but resource mobilisation at an accelerated pace and stepped up investment in rural areas in agriculture and in infrastructure.

To meet the immediate situation caused by the drought a number of urgent steps were called for. Genuine relief work in the drought affected areas. For this, if imports of foodgrains are needed then they must be resorted to. The government has till now shied away from this. Public distribution in the rural areas is required to be set up and where it exists, it needs to be strengthened. Today, the bulk of the releases are in the urban areas.

Government would have to move from its purely inflation management strategy to a disaster management role. Livelihood and food need to be provided. Government Intervention ought to be determined by the need for relief rather than by the available stocks in the country. In turn, this requires raising foreign exchange resources for imports and internal resources for starting public works. So as not to cause any further hardships to the poor this would have to be done in a non-inflationary manner.

To sum up, the budget for 1988-89 gives the impression that it neither has any long term nor any short run strategy to tackle the serious crisis facing the rural sector of the economy. Does this imply a certain incapacity of the state to intervene in the Indian economy in bolstering the interest of the classes it has been representing or the nature of the coalition has changed with the growing crisis in the cconomy?

#### II

#### Other Key Budget Proposals

There are certain other high visibility items in the budget like, duty concessions on sindoor, kajal, alta and mahavir—the age old symbols of glorious and devout mother-hood', toys, children's films, etc. Group insurance schemes are to be introduced for 'primary school teachers, co-operative milk producers, and workers in shops and commercial establishments. Schemes will also be formulated for the benefit of artisans, tailors, barbers, masons, carpenters and other similar groups'.

These have more populist appeal rather than any serious budgetary implications. However, government spokesmen claim that there are other more serious thrust areas. In this they list exports, consumer items, health care, housing, plastics, textiles and technology. Out of these, the major ones are housing, textiles and technology.

#### Housing

Last year was the International Year of Sheiter for the Homeless (IYSH). The government had announced (in the budget speech for 1987-88) that it would bring forth a policy on housing, the first since independence. It had announced the proposal for setting up of a National Housing Bank.

However, due to its lack of preparedness and opposition from the non-governmental agencies, it could not bring to parliament the bill enacting housing policy. In fact, the draft has had to be revised several times.

The bill for the National Housing Bank was passed by the parliament and it is to start functioning. It has now been announced that its capital is to be doubled. The anomoly is that there is availability of finance but no policy to follow. There is lip service to the cause of the deprived since there is only one sentence to them. There are also no representatives of the unorganised and rural lobbies on the board of directors of the bank. In any case there is reference to the commercial viability of projects to be funded. This is an euphemism for those who can pay, the rich and the private builders who have an eye to the growing rental market in housing,

Even if this is remedied, housing provided by the private sector for the poor (EWS) can easily be manipulated for use of the middle classes. At the prices at which the organised sector is building housing, the poor are clearly priced out of the market. The real culprit in the shortage of housing and its inadequacy is the lack of access to land not only for the poor but also the middle classes. In most urban areas, land prices have been rising much faster than the average rate of inflation. This has made real estate a good inflation hedge. Today, it has become a prime asset for speculation.

On this most important question of access to land, the draft housing policy is silent. How is it to be assured to the poor and the middle class? Finance is useful for those who have the access to land. In fact, the setting up of the bank only makes the task of the private sector and the rich easier. It would act as a multiplier to their resource. The access of the poor would become even more difficult. In Kumar [1987a] it was argued that the failure of the public bodies and of the private sector to provide housing has the same source: rising land prices.

Ad hocism in policy is also evident from the fact that there is a commission on urbanisation which is to submit its report shortly. Clearly, it ought to have provided an input to the draft housing policy. But the latter has come before the former could complete its work and have the reaction of the public. Once again, the government would be accused of ignoring the interests of the majority and acting under the influence of the lobbies. The interim report of the commission on urbanlsation also suggested greater private effort (or privatisation). Clearly, ad hocism suits the interests of the interested lobbies.<sup>3</sup>

The other concessions to this sector are, excise concessions to cement, and certain Items of use in housing. The total of all these items would be less than Rs 100 crore. The significant thing is that It would go to boost the profitability of the organised sector manufacturing these items. There may be a

certain shift from use of wood to metals in house construction. Lastly, the concessions have little to do with any boost to the provisions for housing for the poor who do not use such material.

The concessions are likely to be annulled by the general price rise expected as a result of various input costs going up, like, the increase in coal price, freight, impact of the general inflation and other budgetary Imposts. Thus, the price rise in these items may only be checked. No boost in housing activity can be expected under the circumstances.

#### TEXTILES

The finance minister in his budget speech states:

Of late, the industry has suffered from widespread sickness and haphazard growth... in 1985, government had announced a new textile policy. Its primary objective was to increase production of cloth of acceptable quality at reasonable prices... These have yielded results as reflected in the increase in production and availability of cloth.

Clearly, the finance minister is unable to make up his mind as to whether or not he should be happy about the current trends in textile industry. If one was to go by the agitation launched by the handloom weavers in the various parts of the country, they are unhappy. NTC mills have had little to cheer if one looks at their profitability. The lobbies that had launched a pre-budget advertisement blitz for concessions and then thanked the finance minister after the budget presentation is the clear gainer in all this. These are the textile magnates controlling the synthetics and superior cloth categories.

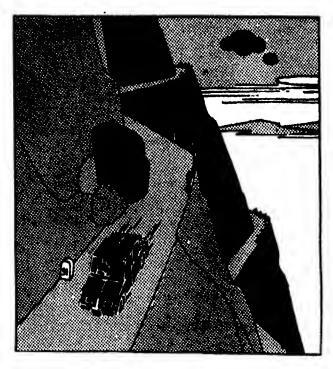
The crisis facing the coston grower (suicides by these people in Andhra Pradesh are a tragic reminder) and the handloom weaver remain unresolved. In fact, the policy proposals are likely to lead to increased misery for millions of such people. What is the nature of this crisis?

Demand for cotton textiles has been going down while that for the synthetics and the mixed blended varietics has been going up. The latter category has also faced severe competition from smuggling because of the high price of Indian textiles of this variety. The indigenous production of these fibres and cloth has been going up since the announcement of the New Textile Policy and this is where growth has taken place.

A shift has taken place from cotton to these fibres. Hence the crisis for cotton growers. This has been aggravated by the declining world demand for long staple cotton which India produces. To add to the burden of the farmers, the varieties of cotton introduced have turned out to be highly disease prone. These together have rulned, many a farmer.

The powerloom sector of the industry has; been growing fast and at the expense of the handlooms and the organised mills in the large scale. Apparently, in weaving of cloth,

# Stoppers from Brakes India



"Professionals driving on mountain roads coast down in neutral gear"

#### True or False?

Faise. It is extremely dangerous to coast downhill in neutral, using only brakes to slow down. This leads to overheated brakes and complete brake failure. Instead, drive in a low gear using brakes only when necessary.



there are no economies of scale so the most sophisticated machinery can be installed in the powerloom sector to produce what the mills can produce. Since powerlooms are ln small sector and enjoy all the benefits available to this sector, cheap unorganised labour is used to cut costs and raise profitability. Many a textile mills and traders have established control over the powerlooms to produce their own branded products at low costs. The modern looms are highly labour displacing and reduce the total employment in the industry.

These trends in the textile industry favouring the growing powerloom sector and the people who control them will be reinforced by the concessions in the present budget. Duty reductions in the synthetic yarn and fibre will make the shift from cotton to these categories even more pronounced. However, most analysts agree that the duty concessions are unlikely to yield any reduction of prices for the consumers. These are likely to be absorbed in the profit margins at various levels. Nobody will even notice this since in any case, there is an inflation leading to all round cost increases.<sup>4</sup>

It is worth noting that the man-made fibres sector of the textile industry was growing in any case. But it is in the higher priced categories which does not cater much to the poorer sections of the population. Thus, growth in this sector produces only a small change in the overall growth of the textile industry.

A cut in cotton textiles prices would lead to a much higher growth rate and benefits to the farmers, the handloom sector and the mills producing the cheaper cloth. The lack of growth in this segment of the market is also a result of the lack of demand consequent to a lack of income growth for the poor. Once again, the link is with the growth of the surplus as a proportion of the national income [Kumar, 1988].

Clearly, the textile policy is circumscribed by the overall policy which is unable to raise incomes of the poor. Within the given macro parameters all it can do is to give more concessions to the segments of the industry catering to the demand of those who have the income, hoping thereby to raise demand, even if a little. If this leads to a deepening crisis through more unemployment and reduced overall demand for textiles, the finance minister is oblivious of the possibilities: Clearly, once again the interests of certain lobbies are paramount even if it leads to a greater crisis in the economy.

#### **TECHNOLOGY**

The outlay for the scientific departments is proposed to be raised by 20 per cent, Emphasis on electronics and telecommunications is to be continued. Defence research under DRDO seems to be getting a lot of money, The recent successful launch of a missile and the development of the state of art electronic switching device by our own C-Dot have received considerable attention.

There appears to be a great deal of action in the field with space launches, building of the Light Combat Alrcraft (LCA), Main Battle Tank (MBT), submarlnes, Antartica explorations, deep sea mining and the like. Clearly, the scientific establishment has much to be satisfied.

What benefits do these bring to the poor? How indigenous are these? How is it that the nation can think of making a Main Battle Tank but not an indigenous modern truck or a car or a two wheeler. Why the great rush to the Japanese for technology in every segment of the automobile sector?

There is no denying that the country has made progress in science and technology. Yet there is no denying that the country has a long way to go to catch up with the advanced nations in the world. But resources have been short and these need to be husbanded carefully. A policy which spells out a strategy for India to catch up technologically with the advanced countries is nowhere in evidence. Why does the private sector not invest in technology development? Why are there repeated and multiple imports of technology? Ad hocism seems to rule the roost.

Take the example of C-Dot, at what expense has the success been achieved? Was the kind of flexibility in men and material allowed to it allowed in the past to other scientific establishments in India? Following the example of C-Dot, would the bureaucratic control over the scientific establishments be relaxed? Would the heads of various establishments in the country be allowed to have the same access to the prime minister? The question is can the C-Dot experiment be repeated and generalised in India?

It needs to be accepted that the development and absorption of technology in the country has been weak or absent. For this some responsibility may be pinned on the policy framework, the size of the market, slow down in Investments in the country, presence of the transnationals in the Indian market, etc [Kumar, 1987c].

These difficulties cannot be wished away. Software is a prime example of the kind of ad hocism which kills indigenous effort and makes the country dependent on foreign sources. This industry has come in for excise duty changes. This is a part of a pattern. The field had been opened up to she transnational companies who are coming in to set up units in India to utilise cheap Indian labour. In the earlier policy announcement, the field was thrown open to imports. The consequences have obviously not been analysed or understood, simply the interests of some groups have been taken care of, obviously, the transnationals. They would also derive benefit of the concessions on profits from exports.

Talent from indigenous firms is being siphoned off abroad and now will flow into the transnational companies operating in India. The know-how and the know-why developed in these companies would be the

property of the transnationals and would not be available to India. At a later date, like the IBH in 1977, these firms can also pack up and go with very little left for the country to show. The Indian companies would have packed up by then and the country would have to start again, obviously at that point years behind the front runners. Encouraging indigenous development even if that means a slight slow down is absolutely a must [Kumar, 1987c]. The excise duty reductions would also then make sense.

Development of technology is a risky business specially in areas where advances are very rapid, like in electronics. Tackling this requires long range planning and given the uncertainty it requires a great deal of flexibility. The interlinkages amongst various technologies needs to be recognised. It is not simply feasible to develop in one area without advances in other allied areas. Such a strategy imposes high costs and continued dependence on foreign sources.

In a situation where the bulk of production in the country is with antiquated technology, introduction of new technology also raises the issue of monopoly profits for some. This would lead to the generation of surplus at an accelerated rate and all the attendent consequences of deficiency of demand. It also leads to the creation of a high income island and accentuates the lncome disparities in the conomy. However, if the gains from technology are sought to be taken away, it is uncertain whether new technology would be introduced.

Increased allocations on science and technology without a clear cut policy is not going to be fruitful. It would only be the source for the scientific bureaucracy to enlarge its empire. This may be counter productive at a later date when dynamism may be sought to be introduced.

#### TAXATION

Direct Taxes: The above analysis suggests that the major packages announced in the budget appear to be in response to sectional group pressures. However, what has not been presented as a package but is a gift to the well off sections of our society is the package of concessions on direct taxes. The will to make them sacrifice in a difficult year seems to be absent.

Standard deduction to salaried employees is to go up. A Rs 3,000 exclusive deduction is to be allowed under 80L for incomes from dividends. National Savings Scheme would offer a 100 per cent tax deduction on investments upto Rs 30,000 (under 80CCA). There is also the raising the rate of interest to 11 per cent. Similarly, the rate of interest payable on Indira Vikas Patra is being raised. A new instrument with variable rate of interest is also being introduced under the name of Kisan Vikas Patra. Tax concessions on profits attributable to exports have also been announced.

An individual planning his savings carefully need not pay any tax on a gross income of Rs 79,000 per annum and an income in hand of Rs 43,000 (27 and 15 times the per capita income respectively) and savings of Rs 36,000. The well off will not only be able to make higher property incomes but also retain them in their hands. The state will subsequently have to mobilise these resources by offering ever increasing rates of interest. This also has a negative impact on other investment since unless they offer higher returns they become unattractive. This is specifically true for risky investment which involves entrepreneurial risk.

Clearly, these policies of the government will raise the level of surplus in the economy even further. However, the government probably sees nothing wrong in this. It seems to think that this is the way to boost the economy. For this reason, it has also given more excise concessions to items of consumption of these classes. It must be noted that currently, the fastest growing segment of the manufacturing sector is the durable consumer goods [India, 1988].

Indirect Taxes: On indirect taxes, the favourite whipping boy of all the finance ministers, there are a variety of proposals. In fact a bewildering pattern. A surcharge on all items is introduced to net Rs 650 crore and a large number of other changes, some of which have already been mentioned above, announced. If the basic purpose was rationalisation, the budget does not achieve that. If it was revenue raising, the net gain to the government is not much.

If the idea was to lower duties on basic inputs and mass consumption items, that has certainly not been achieved. As discussed later, the basic impact of indirect taxes and administered price hikes is similar in raising prices. Further, the net effect on government revenue is not clear since many taxes are simply transfers from one wing of the government to another. The net result is a rise in profits and prices but only a small increase in tax revenue.

The price rise in coal, steel, sugar, petrol and the railway freight hike are likely to work themselves into various other prices. The same would be the case with the surcharge. The effect of these cannot be annulled even where MODVAT is applicable. If cost of freight rises, prices would rise and no set off is possible. Similarly, if the price of steel rises and raises the cost of capital goods, it would raise the prices of goods or probably slow down the rate of investment.

Customs duties are another matter. They are needed to protect indigenous industry. Here fine tuning is essential. Goods not produced internally and necessary for the economy need to be brought in and cheap. Luxury goods need to be kept out. Thus, a mix of banned items, quotas and duties becomes necessary. There must be a mechanism for making this function flexibly and efficiently through continuous monitoring.

The picture that emerges from the detailed analysis of the major packages in this year's budget is one of utter confusion as far as overall policy goals are concerned but that has not prevented various lobbies from obtaining several concessions. Thus, while government's capacity to give generally to the classes it represents seems to be shrinking, it gives to sectional interests, depending on the pressure that can be mounted on it. This would imply a growing level of conflict even amongst the members of the coalition of ruling classes. In turn, this would translate into a growing political instability and further constraints on policy in the future.

#### III Analysis of the Fiscal Policy Regimes

A FRAMEWORK FOR FISCAL POLICY ANALYSIS

The analysis of the budget proposals for 1988-89 presented above suggests that policy has got straitjacketed. It is unable to escape the consequences of past policies. To forge a new direction in policy, one needs to understand the overall situation. Policy needs to be analysed in a framework in which its various elements can be understood as a whole.5 Certain simple results may be obtained using the national income identities. Kalecki [1971] presented such a framework of analysis. He assumed that there are two classes in society: capitalists and workers. Capitalists are a proxy for those earning property incomes and others are treated as earning wages. Below, this structure is further elaborated using simplified definitions of government expenditure and receipts.

Kalecki showed that the post tax profits may be written as.

(P - T<sub>p</sub>) = Budget Deficit + (Export - Import) + Investment + Capitalist Consumption - Workers Savings ... (1) where, P is the gross profit and T<sub>p</sub>, the tax on profit.

Since there is a public sector, P would also include the surplus generated by the public sector. In what follows, the entire surplus of the public sector would be taken to accrue to the government. A part of it accrues as taxes, another as dividends and interest payments and the remainder as support for further public investments or internal ac-

cruals. Therefore, in this analysis, T<sub>p</sub> is the tax on private profits alone.

Assume a balanced foreign trade, no workers' savings and that the budget deficit is the difference between government expenditures plus transfers and the government revenue. Further,

Government expenditures (G) may be written as Subsidy (S) + Consumption of government  $(C_g)$  + Suppose to Public Sector  $(S_p)$  + Public Investment  $(I_p)$  ... (2)

Interest payment by the government (I) is a payment for the debt it owes the private sector. Assuming no savings by the workers, this is paid entirely to those having savings: the property owners in this model. Othertransfers like, pensions, etc, are included in C.

Government Revenue (R) may be written as Tax Revenue (T) + Non Tax Revenue (NT) ...(3)

T=Direct Taxes (DT)+Indirect Taxes (1T).

NT = Public Sector Surplus (R<sub>p</sub>) + Net
Borrowing (B).

Private Sector Profits  $(P_p) = P - R_p$ . Budget Deficit (as per the narrow defini-

Budget Deficit (as per the narrow definition used in India which does not include borrowing (B) as a part of the deficit = G + I - R ...(4)

Assume that the borrowing by the government is out of the profits of the private sector, Kalecki's national income identity can be written as

$$(P_p + 1 - B) - T_p = (G + 1 - R)$$
  
 $+ I_p + C_c$ , ...(5)  
 $P_p + 1 - T_p = (G + I - R + B) +$   
 $I_p + C_c$ . ...(6)

where,  $l_i$  is Investment by the private sector and  $C_i$  is capitalist consumption.

(G + l - R + B) may be called the wider

(G + I - R + B) may be called the wider definition of budget deficit including market borrowing and other forms of borrowing.

Thus, ceteris paribus, private sector's gross profits rise with any rise in the budget deficit, taxes on profits, capitalists' own consumption and their investment programme. This is significant because, in the short run, with given distributional coefficients in the economy, a rise in the level of gross profits of the private sector can occur either with an increase in the level of output (if there

TABLE

Year	Additional Rais		Deficit 'Financing		Borrowing	
· (1)	Pre Budget (2)	Budget (3)	(4)	RB1 (5)	Other Banks (6)	Total (Net) (7)
1982-83			2,349	2,508	2,241	14,603
1983-84			2,135	3,987	1,398	17,705
1984-85			` 5,105	7,426	2,160	20,522
1985-86	1,125	431	3.439	4.442	3,651	23,749
1986-87	1,800	488	.63 (RE)	7,607	6,092	27,424
1987-88	1.718	514	0,247 (BE)	7.000	5,400	28,491
1988-89	2,769	549	8,120 (BE)	.,	-,	30,000

Note. Borrowing figures for 1987-88 and 1988-89 are approximate.

Source: For Columns 2 and 3 parliamentary debates.

For Columns 4, 5, 6 and 7 Economic Survey and Budget Documents.

is excess capacity) or failing that through a price spiral and forced savings of the workers (redistribution of incomes to profits).

If it is assumed that in the short run, C and I p are given at the start of the period, the important factors in raising the level of output in the economy (in the short run) are budget defict and tax on profit.

It needs to be noted that if the narrow definition of budget deficit (Eq 4) is used, borrowing (B) would also raise the level of the gross profits. Thus, in a situation of deficiency of demand in the economy, the government in India can act to boost demand through deficit financing, market borrowing and direct taxes. These are the fiscal policy instruments available in a capitalist economy which together constitute the fiscal policy regime.

Analysis of the G and the R terms in the budget deficit (Eq 4) suggests that their components, indirect taxes, public sector investment and surpluses of the public sector are also important for public policy. The last two constitute the government's investment policy and administered price policy, respectively. Each one of these is discussed in turn

#### **TAXES**

Assume for the moment that direct taxes fall only on profits. In the Indian context these are personal income tax and corporation tax. Wealth tax, estate duty, etc, may be ignored as being too small. There is also the tax on capital which may be important for later consideration [Kalecki, 1971]. This tax is applicable both to financial and other forms of capital.

From Eqs 6 and 3, it can be seen that changes in direct taxes effect both sides of the Eq 6. For a given level of deficit financing, the level of private sector's gross profits go up as taxes on profits are increased. This would lead to an increase in the level of output in the economy. If direct taxes are used to curb inflation by lowering the budget deficit, the pre tax profit P<sub>p</sub> of the private sector does not decline.

Indirect taxes fall on goods. As an approximation, it may be taken that they fall largely on wage earners. In India, this is certainlytrue for excise and sales taxes. If indirect taxes are increased, they lower the budget deficit hence the level of private sector's gross profit (Eq 6). Further, since they are like prime costs, they increase the level of prices and at given incomes, lower the level of consumption of the workers. They accentuate any tendency for demand deficiency in the economy. In an inflationary situation, they may be used to lower the rate of inflation. For products that are substitutes for each other, they may also be used to shift demand from one to the other.

A comparison would suggest that whereas both may be used to lower the level of the budget deficit, using the instrument of direct taxes does not have the effect of reducing either post tax profits or the real wages. Use of indirect taxes, lowers the real wages but

does not effect the net profits. Since in the case of the direct taxes, the level of gross profits goes up, the level of output in the economy goes up. Indirect taxes have no such effect. In an inflationary situation, indirect taxes may be preferable but if there is excess capacity, direct taxes ought to be preferred. In section I, it was pointed out that the share of the surplus in the economy is rising and may be leading to excess capacity and deficiency of demand in major sectors of the economy. To reverse this trend, the use of the instrument of direct taxes as opposed to the indirect taxes would be necessary.

Evasion of taxes leads to an increase in the budget deficit for a given G (Eq 6). Evasion of indirect taxes would not lower the prices of goods and thereby have little impact on the real wages. It has been suggested that some of the benefit of the evasion may be passed on to the consumers but it must be understood that evasion is resorted to, to increase profits and that purpose would be defeated. Ceteris paribus, increase in the level of evasion of indirect taxes would raise the level of deficit financing and, therefore, the level of gross profits by exactly the amount of evasion.

In the case of evasion of direct taxes, ceteris paribus, though the deficit would rise, there would also be a tendency to lower gross profits (Eq 6). In the net, given G, evasion of direct taxes would have no effect on gross profits. The effect of rise in deficit financing would be exactly countered by the fall in direct tax collection out of profits.

At a given level of G, an increase in the level of tax evasion would result in either an increase in the budget deficit or of borrowing (B). These would have inflationary consequences, as discussed below. Evasion of taxes is detrimental to the capitalists as a class though it may appear attractive from the point of an individual capitalist. As already argued, payment of direct taxes do not reduce the level of net post tax profits and raise the level of gross profits. Indirect taxes have no such beneficial effect hence they should be low in any case. If that is the case, then the beneficial effect of their evasion would also be negligible.

#### **ADMINISTERED PRICE POLICY**

Raising the prices of the product of the public sector raises the surplus of the public sector (or reduces the deficit) and thereby reduces the net support of the budget to these units. This tends to lower G and reduce deficit financing. But like in the case of the indirect taxes, the level of prices in the economy goes up.

In fact, often the output of one industry is the input into another. For instance, coal into steel and steel into the railways. Thus, unless the prices are increased down the line, the surplus of one may show up as the loss of another. The impact is, therefore, akin to the raising of indirect taxes. However, this instrument may be preferable to deficit

financing or to the accumulation of financial losses of the public sector units. Both are inflationary.

The accumulation of losses of the public sector units leads to the deterioration of their financial health. It amounts to a subsidy to the private sector and a growing debt trap.

#### BORROWING

Changes in total borrowing by the government do not change the quantum of deficit financing in the wider sense. But In the Indian context where the budget deficit is defined in the narrow sense, celeris paribus for a given level of deficit financing the higher the borrowing, the higher would be the gross profits. This would tend to raise either the level of output in the economy or the rate of inflation.

To the extent the borrowing does not change the overall level of deficit financing in the wider sense, there would be no change in the level of gross profits. But, there would be a draft on the savings of the private sector. A competition for savings may occur between the government and the private investment would not occur since the requisite level of savings would be generated, an increase in the interest rates on government securities may be necessary.

With government pre-empting credit, the private sector may be increasingly forced to resort to the informal credit markets and pay higher interest rates. This spill-over of demand could raise the interest rates in the informal market even higher. Government, to prevent flight of savings into this market to which it has no access, may be forced to offer competitive rates (discounted for risk and illiquidity).

Clearly, this rise in the interest rates would have the consequence of raising the level of debt in the future and consequently the need for further borrowing. This would be specially true given that the government is itself not covering the cost of its borrowing in the shape of high enough rates of returns on its own investments. Thus, an internal debt trap may follow.

Borrowings in India have a substantial component from the small savings of the households. These may be thought to come from the wage earners. To the extent this is true, the effect is to reduce the level of gross profits and hence the level of output in the economy. This then is an instrument to reduce the inflationary pressures. However, preciscly when inflation kicks up, workers' savings are reduced. Then for a given sum to be borrowed by the government, the draft on the profits would go up and this raises the level of gross profits (Eq 6) and thereby the inflationary potential.

Lastly, the cost of these savings to the government is high. As argued in Kumar [1984], often for those falling in the higher tax slabs, the interest paid plus taxes foregone by the government may amount to more than the amount borrowed. Thus, the

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net amount raised by the government through the various savings schemes and tax concessions attached to them is not very high and the future budgets face a debt trap.

A component of the borrowing is now being shifted out of the budget and shown as borrowings by the public sector undertakings. This is being done through fixed deposits and floatation of bonds. These are high Interest bearing instruments and tax concessions are being offered to lure investments. This is once again a high cost solution. By reducing tax revenue, it would tend to make the budget deficit higher or force the government to borrow more later.

By making the public sector pay a high cost, it also reduces their profitability and hence their surplus generation. This would then have to be covered by direct government borrowing at yet higher rates. Thus, either way the budget deficit cannot be reduced this way. It may only postpone the problem for a future date. This is not to argue that the public sector ought to run at a loss or be financed perpetually out of the budget. The argument is that if these units are running at a loss for whatever reasons, including the achievement of certain social goals, and causing a budget deficit, then the way out is not more borrowing at higher and higher cost.

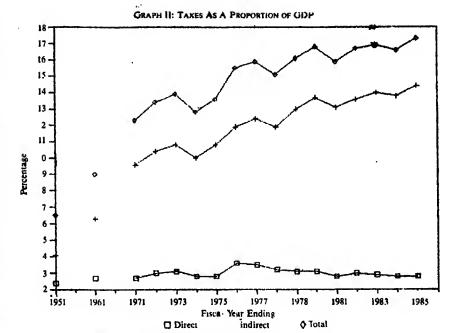
Increased borrowing is less desirable to raising direct taxes for financing a given government expenditure. There are no future obligations on the budget. For maintaining a given level of deficit financing, use of the tax instrument rather than borrowing keeps the liquidity growth in the economy in check.

#### **DEFICIT FINANCING**

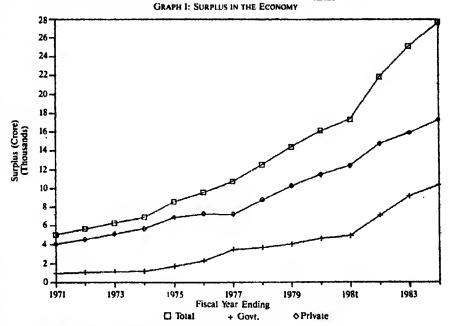
This raises the level of gross private profits and the level of output (or prices) in the economy. As such, in a situation of excess capacity, when the economy requires to be stimulated, it is a viable instrument. However, it raises the level of liquidity in the economy and the potential for future inflation. In comparison, use of direct taxes keeps the deficit financing down but does not affect the level of gross profits. This prevents the build up of liquidity. However, in comparison with the situation of deficit financing, it does lower the post tax profits.

As opposed to the instrument of borrowing which has various components, some of which are in the shape of small savings, etc, the increase in high powered money supply is greater for a given level of the two. However, to the extent liquidity in the economy goes up as a result of the borrowing from the commercial banking and through treasury bills, the effect is similar to the rise in deficit financing. This leads to another definition of deficit financing which includes the narrow definition plus increase in RBI credit resulting from other borrowing.

However, deficit financing (narrow definition) has no future obligations on the government's finances. The rising interest



Source: Various issues of Economic Survey.



Source: Various issues of National Accounts Statistics.

burden on debt tends to raise the level of deficit financing and the post tax incomes (surplus) of the property owners. Thus, borrowing ought to be preferable to the private sector since it increases its hold on the government to obtain concessions in the future.

#### **PUBLIC INVESTMENT**

Increases in public investment lead to a rise in the deficit financing at a given level of revenue. This boosts the gross profits of the private sector. To the extent it raises the profit of the public sector through generating additional demand, it is self financing. It is through the increased demand for the products of the private sector that it raised

their profits.

From the point of the budget, since other components of the expenditures are predetermined, to reduce the deficit financing, this is the component that is usually axed. There is another aspect of public investments, namely, by creating productive assets, it raises the potential output in the economy. Thus, in a situation of deficiency of demand, the required investment in the economy to obtain full employment goes up. Since a bulk of investment has been in the infrastructure industries, which are highly capital : intensive, the employment generation potential has been low. Thus, on both these counts, the required level of futue investment to maintain full employment rises. Finally,

the private sector is inimical to a growing level of public investment because it reduces areas of profitable investment for it or provides competition to it and lowers its profitability.

#### SUMMING UP

For the private sector, borrowing would be preferable to deficit financing which in turn would be preferable to the direct taxes. From the point of view of the budget and the economy, the ranking would be the reverse. It is absolutely clear from Eq 6 that direct taxes do not lower the level of post tax profits. The resort to increases in administered prices is similar to that in indirect taxes and both are less preferable to direct taxes sinee they are inflationary without being output raising. A shift from dependence on borrowing and indirect taxes to direct taxes has become absolutely essential.

Assuming that the size of the surplus in 1988 would be around Rs 50,000 crore without counting the black incomes, and an average tax collection from this of 40 per cent, these could yield a revenue of Rs 20,000 crore. To get an average of 40 per cent, the tax on corporations may have to be raised from the present 50 per cent to 60 per cent.

Per capita emoluments in the public sector are Rs 29,000. If it is assumed to be similar in the private sector (say, Rs 20,000) and there are 10 million such employees the wage bill would be at least Rs 20,000 crore. At present the starting tax slab is Rs 18,000 and with a tax of 25 per cent. Assuming the tax rates to be highly progressive and structured such that they begin at 10 per cent and go up to 80 per cent but with an average of 20 per cent, the current tax pressure, the total collection would be Rs 4,000 crore. There are another 15.5 million government employees at all levels and if they get an average of Rs 12,000 per annum, this would give another Rs 20,000 crore of incomes. This would contribute another Rs 3,000 crore at an average of 15 per cent tax collection.

Without counting the taxes to be collected from other sections, like, other services, hotels, trade, restaurant, etc, a total of at least Rs 27,000 crore is feasible under the head direct taxes. Excise on luxuries could act Rs 3,000 crore (present total is Rs 18,000 crore) and customs could give say Rs 10,000 crore (present total is Rs 15,000 crore). This would give a total of at least Rs 40,000 crore. Sales taxes could also be reduced. The states share would not go down since they would get 75 per cent of the income taxes.

The above suggests that a shift from the present dependence on indirect to direct taxes is feasible. There would be other beneficial effects also. Prices of mass consumption items would decline and result in a pick up in demand. A reduction in demand for luxury consumption goods from the surplus earners would also follow. Since these goods are import intensive there would also be a beneficial effect on balance of

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payments. There would be a rise in the consumption propensity and a decline in the import intensity in the economy. Both would have a positive effect on the profitability and the growth in the economy.

### IV Elements of the Fiscal Crisis

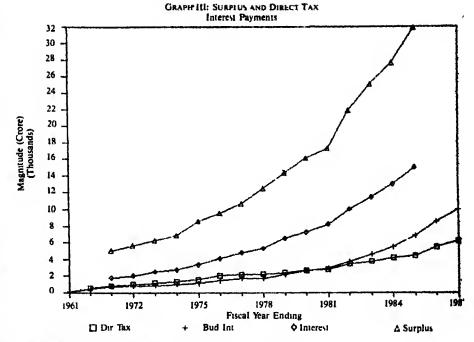
That the policy appears to be constrained has been pointed to earlier [for instance, Kumar, 1986; Sanyal, 1985; and Baru, 1985]. It has been suggested that the reason lies in the growing fiscal crisis of the state in India. Its past profligacy and growing expenditures on conflict resolution have been held responsible. The rising interest burden, both Internal and external, and the rising budget deficit are reflections of this. The immediate cause, of course, is the rapid increase in the government's current expenditures without a commensurate growth either in the tax revenue or returns on past investments in the public sector.

It is not to argue that tax revenue has not risen. Tax revenue as a share of the GNP has gone up substantially. However, it is the indirect tax revenue that has risen faster than the direct tax revenue (Graph 11). The latter has not shown the buoyancy that it ought to have, given the progressive nature of the taxation and the inflation experienced by the Indian economy. The growing black economy and the large number of concessions to the well off are responsible for this. Similarly it is not that the public sector has not generated surpluses. Specially in the recent period since the late seventies, the administered prices have risen faster than the general price level and the generation of surpluses in the pubic sector has gone up (Graph I) though not as much as needed.

The problem lies predominantly in the rapid rise of government expenditures, specially, in the non-plan component. In this also, it is defence, subsidy and interest burden which are the major culprits in causing the budgetary crisis. Wasteful expenditure and padding are also 'emerging as factors in the government's inability to cut its expenditures.<sup>9</sup>

The rising interest burden is a direct result of the increased resort to borrowing by the government to fill the gap in its resources. Not only has the quantum of borrowing gone up but also the interest rates have risen so as to attract funds. Once again the black economy which keeps the tax buoyancy down also forces the interest rates to go up.

Government can only tap the formal credit markets for its borrowing. However, if it offers low rates of interest, either it would have to subsidise its sources of funds or force them, in turn, to also pay lower rates of interest. Subsidy is no solution since it would imply a high rate of interest. If lower rates of interest are paid, funds would get diverted to those channels where the returns are higher (net, after discounting for risk and liquidity). The informal credit market in the economy, outside the banking channels, is



substantial and could siphon off funds. A substantial part of this circuit of flows is black funds.

As the size of the black economy has grown, it has attained an autonomy of its own, independent of the RBI's credit policy. It provides liquidity for legal and illegal activities in the economy, like, smuggling, land speculation, films, speculative hoarding, production and trade specially, in the small and medium sectors. In all these activities, the rates of return are high even after discounting for risk.

It may be true that a substantial part of the funds in the formal credit market would be available in any case since their owners may not have access to the informal credit market channels. Yet, various channels of interaction between the two markets exist. In fact, in India, they penetrate most economic activities. Actual rates of return in the informal market compared to the formal sector post tax rates are high. At any point of time there is some equilibrium achieved. If the structure of rates of returns is altered, it would lead to a shift of funds. This is what the government apparently fears.

The government is forced to borrow because of the existence of the black economy and it is forced to pay a high interest rate on this rising amount of borrowing also because of the existence of the black economy which has a higher rate of return than the white economy. That is why, obvious solution of lowering the rate of interest on borrowing by the government is unlikely to succeed.

In today's context, dealing with the black economy is an urgent necessity. It is this which is at the root of the growing share of the surplus in the economy, the growth of the services sector and the growing fiscal crisis of the state.

#### NO SOFT POLICY OPTIONS LEFT

It is the black fiquidity waiting to take advantage of any inflationary spiral that also prevents the government from decumulating foodgrain stocks more rapidly and generating additional incomes in the rural areas. For the same reason the government will also not admit to the true extent of loss due to drought. The government is far more sensitive to urban unrest that a rapid inflation may bring about. 10

Inflation can be expected to accelerate in the coming months. In the absence of additional resource mobilisation, government's investment programme is likely to suffer in real terms if not in nominal terms. Private sector investment is likely to be adversely affected by this slow down and also by the lack of demand consequent upon loss of rural incomes. Due to the deteriorating international trade scenario, stepped up exports are unlikely to be able to counter declining home demand (except marginally). Thus, the private investment programmes are likely to suffer, in spite of the growing concessions to the rich. The few concessions in the budget to revive the sluggish capital markets are also likely to be unsuccessful in the face of demand recession in the economy. As such, the crisis in the economy is likely to grow,11

This gloomy scenario can only be altered by determined action. In turn, this requires political will. A dent on the black economy needs to be made. <sup>12</sup> The level of investment in the economy needs to be not only kept up in real terms but raised. The rising debt. burden needs to be controlled. Luxury consumption and other inessential consumption needs to be curtailed. Raising tax revenue has become easential.

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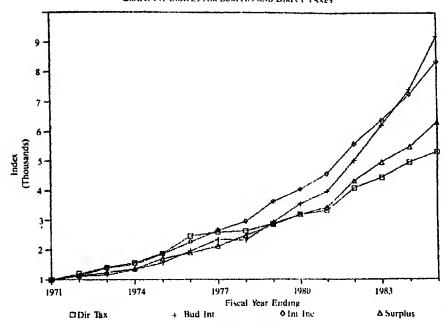
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national income (Graph II). It has been rising less than the surplus (Graphs III and IV). The personal income tax exemption limit in relation to the per capita income in India works out to six. If other concessions are included, the ratio becomes 15. In most advanced countries, this figure is only about .5 or .7 of the per capita income. To bring down the income disparities, the rate of the highest marginal tax rate must be raised from the present 50 per cent to upwards of 80 per cent.

The widening of the tax base is essential [Kumar, 1985]. The large number of concessions available must be done away with. At present barely 6 million individuals file income tax returns. The fact of the matter is that income tax collection is successful only from the fixed income group, where taxes are deducted at source. Lowering the exemption limit to say Rs 8,000 would widen the tax net without much of an increase in the cost of collection. In any case, these assesses would fall under the summary assessment scheme.

It can be expected that these proposals are unlikely to receive any political support. Catching tens of millions of individuals in the tax net would not be popular. Even the lowest paid employee (say, a peon) in the organised sector would fall in the tax net. However, it needs to be remembered that every individual in India 15 paying on an average 22 per cent of his income as taxes of one kind or the other. Thus, even a peon who is not paying any direct taxes is paying a substantial fraction of his income as indirect taxes due to his consumption of goods.

He is having to pay so much because the better off are paying little. If he was required to pay, say, 10 per cent of his income as taxes and little indirect tax, he would be better off.

loday, even an individual below the poverty line pays taxes. The lower middle class and the middle class stand to gain if a switch is made from indirect to direct taxes. <sup>14</sup> It is only the well off who are likely to lose from the above proposals who are likely to oppose the move. They are also the ones who are capable of organising an opposition in the name of the poor.

In this context as a supplement, an incomes policy becomes absolutely essential. This would also meet one of the demands of the rural lobby. Society has to determine the relative incomes of the different skill levels available. While this could lower the income disparities amongst the workforce, as long as private ownership of capital is allowed in the economy, high incomes would be generated. For this high tax rates are necessary to curb such incomes. If raising the highest marginal tax rates causes disincentive to people earning high incomes then it ought to be welcomed rather than being a cause for worry.

As already discussed in Section III, a shift in taxes from indirect to direct would have several advantages like price reduction of mass consumption items, beneficial impact on balance of payments and a step up in the growth rate of the economy.

Even under the present set up, without the political changes required for the above mentioned changes, government can raise more resources through direct taxes by tapping the rising interest incomes of the property owners. A flat rate tax on interest incomes, to be deducted at source, might be tried. This may cause some problems of equity but these can be ignored in favour of simplicity of administration. A tax on capital as proposed in Kalecki [1971] in his paper on taxation is another possibility. This would bring the treatment of corporate sector on par with

nousehold wealth which pays a wealth tax. Kalecki argued that no disincentive to investment by entrepreneurs would arise. In fact, as shown by Eq 6, there would be an increase in the level of gross profits and hence an increased incentive to investment as a result of expectations of rising levels of future profits.

In the absence of a dent on tax evasion, the impact these two proposals, a tax on interest incomes and on capital, may have on driving funds into the black economy needs to be carefully considered. A tax on the interest payments would lower the net rate of return on these investments. The informal credit market would remain outside the purview of this tax. Thus, not only would it result in the rise of asset values in these markets (not affected by this tax) but also lead to a shift of funds into these markets and a further price rise of such assets.

Similarly, the tax on capital may lead to a trend for undervaluing capital and assets in the corporate sector. However, this may only correct for the trend to overvalue capital and reduce profitability. This mechanism is also used by managements to siphon out funds from their concerns, Further, in cases where private wealth is increasingly held as corporate assets, the incentive to do so would be eliminated. These would have a positive impact on reducing tax evasion.

By making excessive use of capital less desirable and lowering the rate of return on it, it would also lower the tendency to use highly capital intensive techniques. In Indian manufacturing industries with the rising capital output ratio, for a given investment the employment generation is declining. Thus, a higher and higher level of investment (and public debt) is required to prevent unemployment [see Dernberg, 1969: 128-131].

A tax on interest incomes at a flat rate may violate some equity norm. But it is the movement of funds from the formal to the informal credit markets (and the black sector) which are more worrisome. A tax on capital can be expected to generate an enormous political storm with the corporate sector straining every muscle to prevent the implementation of such a tax. This kind of a storm has been witnessed earlier in the case of the eminently desirable proposal of treating the household as a unit for income taxation rather than an individual.

However, all indications are that the soft option of continuing past fiscal policies is leading to an unmanageable situation. There is no escaping the need for more tax resources, through direct taxes. Tax evasion needs to be checked. This is the only way to mobilise the growing surplus in the economy and preventing the economy from  $^{3}$ stagnating. Investment for employment generation for the poor in the rural areas has become a must. For the ruling classes the cost of inaction and drift have been growing. The political upheavals are becoming more unmanageable, representing a declining capacity of the state to manage affairs on behalf of the interests it represents.

#### Notes

- 1 For the year 1986-87, government had predicted an increase in the agricultural production of 1 per cent but now it has admitted that there was a decline of 5.6 per cent. For 1987-88, it is predicting a further decline of 7-10 per cent (India, 1988) but it is likely to be more.
- 2 In the Economic Survey, the government also suggests that earlier periods of severe drought were also accompanied by external shocks like, wars and oil shock. To the extent this explanation is accepted, it is not to the credit of government's management [India, 1988].
- 3 The executive summary of the Interim Report of the National Commission on Urbanisation gives examples of contradictions. One such is 'The existing infrastructure of these cities is, however, on the verge of collapse, industry is stagnating and an ocean of slums is rapidly swamping the cityscape' (p 11). In contrast (p 1), it rejects as 'alarmist' the view that urbanisation of this kind has led to a 'lack of infrastructure, poor housing, over-crowding, the emergence of slums, etc'. The link between the two has been missed. The larger macro plcture is completely absent.
- 4 The earlier duty reductions in 1985 also did not result in price decreases. The reason for the high cost of Indian textiles and the existence of smuggling in these items lies in the use of inefficient techniques of production of the basic fibre and its raw materials. It is suggested that a 25 per cent reduction in duty on fibre would hardly lower cost of manufacture of mixed blended cloth by 5 per cent. With an average inflation rate of 10 per cent, this would not even show up. The benefit to the industry would turn out to be much more than announced in the budget since it ought to be calculated on the increased output of synthetics.
- 5 For some recent attempts, in this direction, see Rakshit [1987] and Sundaram and Tendulkar [1987].
- 6 In Kumar [1988] it has been shown that the share of the gross surplus (surplus incomes plus black incomes) of the private sector rises in the drought years when a squeeze on the output occurs.
- 7 The reason may be social or accumulated debts or because of political interference and inefficiency. The complete dislocation of Air India's operations in October 1987 because of the PM's visits or the mobilisation of DTC and other road transport for rallies, etc, are some examples of such misuse of public sector units.
- 8 This would imply a raising of the current tax rates. Some may argue that this leads to tax evasion. Graph IV shows that since the mld-seventles growth of the surplus has been faster than of direct taxes. There was a spurt during the emergency years and stagnation thereafter. In this period, the tax rates were systematically lowered, and greater concessions offered. Interest paid by the government, on which tax could have been deducted at source, went up substantially. Yet compliance and direct tax collections did not go up to keep pace with the growing surplus in the economy. As such,

- no linkage between tax rates, compliance and tax collection can be established in India.
- 9 The prime minister's own high visibility presence, penchant for publicity and show to boost his image and the pointers to his direct or indirect complicity in cases of corruption in various deals are a symbol of all this. Gandhi led the Dandi march surrounded by people; the state was ranged against him. As a pointer Gandhi in its reenactment used the state apparatus to segregate himself from the people. The misuse of the state apparatus is evident everywhere; holidays at Sariska and Lakshdweep, freedom run, Air India expenditures on the PM's visits abroad and countless others. PM's claim on the subject (after his return from Canada). that the expenditure on him is repaid more than dozens of times over, at one stroke undermined all talk of austerity in this drought year.
- 10 It is true that the organised sectors in the Indian economy are relatively insulated from inflation because of indexation. However, indexation is never complete. One obvious example is housing. Another is the black premia on goods. In Kumar [1986] it was argued that the burden of inflation adjustment is borne by the unorganised sectors but even the organised sector workers lose though much less.
- 11 CSO's quick estimates suggest that for every quarter of 1987-88 the rate of growth in the manufacturing sector has been declining. From something like an astounding 17 per cent it has come down to 7 per cent.
- 12 The political will is undoubtedly lacking. It was known all along that the election process involves considerable use of black money. Now it has been openly admitted by the former president, Zail Singh, that he was offered Rs 40 crore to fight his reclection. The recent episode of an MP bringing Rs 5 lakh to the parliament as proof of what he was offered for his support only reinforces the view of a lack of political will to tackle the menace of the black economy [Kumar, 1987f].
- 13 Today, those who have the capacity to save and split up their incomes get away with paying little. Clearly, this is true in the case of the well off who not only save but can set up all kind of dodges like partnerships and trusts and use expensive lawyers and accountants.
- 14 They have to pay all kinds of taxes on their basic consumption of public transport, chemicals, sugar, tobacco, iron and steel, aluminium, textiles, 'plastics, cement, kerosene, vegetable oils, tea, coffee, and under catch all categories. These constitute the bulk of the Rs 18,000 crore to be collected in excises. Luxuries are also there but they are a small propotion of the total.

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# Union Budget 1988-89 On Management of Drought and of Public Opinion

Abhijit Sen

The finance minister has been lucky in inheriting relatively high levels of Plan expenditure, particularly on rural development. These have allowed the worse effects of the drought to be averted without much additional effort this year and laid the basis for a claim to record fulfilment of the Plan.

But he has also been clever in being able to get the financial institutions to pay for his populisms and in choosing for tax relief the maximum number of items at minimum cost. He has benefited certain well known friends of his party in industry. But most of all he has been able to produce a 'pro kisan' budget without doing all that much for the kisan.

Some may call it a fraud, but it is better described as an exercise in the management of public opinion.

THE presentation of the union budget to parliament is traditionally a time for taking stock of the state of the economy and for analysing the motives for and the consequences of the economic policy of the government in power. This is even more apt this year given the background of one of the worst droughts since independence, and the non-negligible prospect of a mid-term election later in fiscal 1988-89. N D Tiwari had so far had an unenviable term as finance minister having not only to co-ordinate economic management during the drought, and do so with minimum violation of the prime minister's promises in last year's budget, but also to prepare this year a budget with which his party can face the electorate if other considerations make this the preferred option. The press has generally commended the management of the economy this year and has labelled Tiwari's maiden budget 'pro-agriculture' and an 'election budget', thus giving the finance minister reason to be pleased. However, a public relations success for the finance minister is not necessarily the best measure of the state of health of the economy and, indeed, a populist budget is seldom a good one in hard economic terms. Perhaps for this reason, most critics of the government have focused on the large deficit budgeted for 1988-89. But for full appreciation, it is necessary to set the budget in perspective and to look beyond the 'packaging' that a budget speech must necessarily have since it is not just the announcement of an economic exercise but also a political statement.

THE DROUGHT, ECONOMIC MANAGEMENT, AND BUDGET DEFICITS

Predictably, both the budget speech and the Economic Survey make the drought the centre-piece of their reviews of the economy this year. However, unlike in previous drought years, the tone of these reviews is distinctly upbeat. The drought itself is described as one of the worst on record but its adverse impact on the economy is claimed to be much less than those of previous droughts, credit is claimed for good management of the economy, and particular satisfaction derived from the facts that the infrastructure sectors have performed well, in-

dustrial growth is likely to exceed 8 per cent and inflation contained to about 10 per cent this year. Agricultural performance is also considered to be creditable given the context, and the fall of 7-10 per cent in agricultural production being projected officially this year is less than in previous droughts of similar intensity. Export growth is claimed to be high and the balance of trade is expected to improve for a second year running. Most importantly, severe distress, in the form of widespread hunger and starvation seen, eg, in 1965-67, has been avoided-it is claimed by a combination of good food stock management and effective rural employment programmes.

It is certainly possible to quibble with some of these claims about economic performance. The new index of industrial production, especially with respect to its product-level weights, is still somewhat suspect and may be overstating industrial growth. Also, if the experience with data revision for last year is any guide, agricultural production can turn out to be much lower than current projections. And, there have been deaths due to malnutrition, if not starvation, this year in Orissa and Rajasthan. But, nonetheless, it must be conceded that the economy especially non-agriculture, has performed better than many people expected it to, and that drought this year has not led to famine conditions or, at least yet, to runaway inflation.

However, whether this relatively good performance of the economy through the drought can be attributed to good economic management is a question likely to elicit very different answers depending on one's degree of sympathy with the government. The government's case depends mainly on comparing outcomes this year with those in the past and is entirely of the 'post hoc ergo propter hoc' variety. Most critics have focused instead on the inability of the government to do anything about the large deficits in its successive, budgets and have seen in this enough evidence for fiscal irresponsibility and mismanagement, the consequences of which, according to them, the country is bound to face sooner or later.

In Table 1, I present the figures of the deficits in the union budget expressed in

terms of their percentage in GNP. There are three alternative measures of the deficit considered here. First is the revenue deficit or the excess of revenue expenditure over revenue receipts. This is a measure of the dissaving done by the central government. Second is the deficit calculated as the excess of total expenditure over revenue receipts. This is a measure of the total effective demand injection into the economy by the central government. Third is the total deficit, which is what is usually called the budget deficit, and is the excess of total expenditure over both revenue and capital receipts. This is a measure of the monetary expansion resulting from central government operations. As the table shows, all the deficits have tended to increase, particularly after 1981-82, but this increase is sharpest and most sustained for the revenue deficit implying that the central government is contributing negatively to the nation's savings, and this negative contribution is increasing rapidly. The total deficit as a percentage of GNP has (with the exception of a high in 1986-87) been roughly constant during the tenure of the present government at a level which, although much higher than before 1979 or during 1981-84, is com parable to that in the period 1979-81. The deficit of total expenditure over revenue receipts has, like total deficit, been more or less constant since 1985-86 but, like the revenue deficit and unlike total deficit, this is now well above the level of 1979-80.

I am concentrating on these deficits at some length because a major argument of the government's critics is that the current deficit levels are too high and potentially very inflatlonary. To this, the finance minister's reply in parliament has been that there is no close relation between the level of deficit and the rate of inflation. Certainly, until this year, the present government has been able to combine fairly low rates of inflation with historically high levels of deficits. However, the general concern about the inflationary potential of such high deficits reflects the collective memory of the inflationary aftermath of the 1979 budget. in which the total deficit was set at und. precedented levels. Indeed, many members of the present government criticised Charan

Singh with much the same arguments as those of N D Tiwari's critics today, Since, moreover, comparisons of 1979-80 with 1987-88 are a major plank in the government's claim of better economic management, it is worth making the comparison in some more detail, especially since the Economic Survey provides the material readily. It is interesting to note, first, that although inflation measured by the wholesale price index was much higher in 1979-80 (21 per cent as compared to the likely 10 per cent in 1987-88), the figures were very much closer (12 per cent and 10 per cent) if the consumer price index is considered. Secondly, even considering the wholesale price index, the higher inflation in 1979-80 can be explained almost entirely as arising from the direct and indirect effect of higher rises in administered prices. The latter increased by 31 per cent between end March 1979 and end January 1980, as against only 7 per cent in the corresponding period of 1987-88, and the main reason for this was the second OPEC price hike in 1979.

In fact, the data in the Economic Survey show that agricultural prices (sub-groups food articles and non-food articles in the major group primarily articles of the WPI) increased at a lower rate in1979-80 than in 1987-88, the figures being 12 per cent and 14 per cent on an end March-end January basis. Clearly, the lower overall Inflation in 1987-88 cannot be explained either by better economic management of the drought (since agricultural prices have if anything increased faster) nor by differences in the levels of the budget deficit (which are similar for total deficit and higher in 1987-88 for the other deficits) but must be put down to extraneous factors.

Indeed, in sharp contrast to most commentators, I tend to believe that in one important sense the better economic performance during the current drought as compared to that in 1979-80 is due to the higher deficit. This relates not to the total deficit but to the excess of total expenditure over revenue receipts. This latter deficit measures the degree of fiscal stimulus imparted by the

TABLE 1: INFLATION RAIES, GDP GROWTH AND BUDGETARY DIFFCITS OF THE CINERAL GOVERNMENT

Year	Inflatio	n Raie	As Per Cen	t of GNP at Ct	irrent Prices	GDP
	WPI	CPI	Revenue Deficit	Deficit of Revenue Receipts over Total Expenditure	Total Defict	Growth Rate
1979-80	21.0	12.3	0.95	6.64	2.31	4.9
1980-81	16 7	12.6	1.66	7.90	2.02	7.3
1981-82	2 6	8.8	0.27	6,55	0.97	6.2
1982-83	6.6	9.8	0.83	7.74	1.05	3.1
1983-84	8.9	11.1	1.37	7.74	0.76	7.9
1984-85	7.6	5.0	2.06	8.88	1.82	3.2
1985-86	3.8	8.9	2.40	9.36	2.13	4.8
1986-87	5.3	7.5	3.00	10.34	3.19	4.0
1987-88 BF			2.34	9 13	1.98	
1987-88 RF	10.0?	10.0?	2.95	2.75	2.11	1.0?
1988-89 BE		4-	2.98	9.30	2.26	

Notes: (1) See text for concepts.

(2) GNP figures are from the new series with 1980-81 as base. Figures prior to 1980-81 are obtained by applying growth rates from the old series to the new series. 1987-88 nominal GNP growth is assumed to be 11 per cent.

TABLE 2: CENTRAL GOVERNMENT BORROWINGS

(Rs crore)

Year	Gross Borrowings	Total Debi	Interest Paid	_	Net of Interes
	_	(interest bearing)		Amount	As Per Cent of Gross Borrowings
1980-81	5,245	45,096	2,604	2,641	50.4
1981-82	5,461	56,191	3,195	2,266	41.5
1982-83	7,011	65,541	3,938	3,073	43.8
1983-84	7,762	77,774	4,796	2,966	38.2
1984-85	9,105	91.624	5,974	3,131	34.3
1985-86	9,482	96,996	7,503	1,979	20.9
1986-87	12,716	112,758	9,236	3,480	27.4
1987-88 BE	13,443	130,042	10,650	2,793	20.8
1987-88 RE	15,505	141,182	11,450	4,055	26.2
1988-89 BE	16,617	157,011	14,100	2,517	15.1

Note: Cross borrowings = Capital receipts - Recovery of loans - Grants - Other items.

central government and this, as evident from Table 1, was much larger in 1987-88 than in 1979-80. Moreover, the figures here understate the true increase because they do not include the extra-budgetary borrowings by central government public sector enterprises which have increased much more sharply. Also, once account is taken of the much higher autonomous price rise in 1979-80, the real fiscal stance turns out to have been sharply contractionary in 1979-80 as against moderately expansionary in 1987-88. In my opinion, a large part of the much better output performance in nonagriculture during 1987-88, as compared to 1979-80, is explained by this. By arguing in this manner, I am not defending government profligacy but merely stating what should be obvious - that the correct policy to follow during temporary agricultural shortfalls is one where monetary policy is restrictive (in order to check speculation) but fiscal policy expansionary. This prescription, of course, applies only when agricultural supplies, over and above production, can be made available either through imports or by running down stocks and would not be applicable to situations (like in 1965-67) when there is a physical limit to agricultural availability. However, it was certainly applicable to both 1979-80 and 1987-88 when plentiful food stocks were available with the government.

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Thus on the issue of deficits, I tend to disagree with both the finance minister and his eritics. The latter give it too much importance and the former too little but both discuss the matter in terms of the effect on prices rather than output. This ignores the lesson learnt between 1973 and 1984 when severe demand recession was eaused by an unduly restrictive fiscal stance eased only by the more expansionary policy thereafter. However, on balance, the critics are probably more correct. Arguably, efforts should have been made last year to curb somewhat the total deficit while keeping the fiscal deficit unchanged. And, the total deficit budgeted for 1988-89 is certainly too large for comfort. This is because, on current trends, foodstocks are likely to fall below the critical 6 m tonnes by the time the rabi crop comes to the market and if this crop is also poor then we will find ourselves in a situation where the cushion provided by stocks is uncomfortably thin at the same time as the budget deficit is high and seems to valldate inflationary expectations. In that event we may, in the absence of large and timely imports, find ourselves truly in a mess because the backlog of monetary expansion since 1985-86 could then enable massive speculation. Even if this nightmare is avoided, it remains true that the government has been irresponsible in allowing the revenue deficit to go on rising. Its reduction along with a corresponding increase in capital expenditure would have left the fiscal stance unchanged but meant that borrowed resources would go Into productive rather than unproductive uses and thus have had a better likelihood of being paid back without resort to further

borrowing. It would certainly be preferable to reduce the revenue deficit by cutting wasteful expenditure rather than through higher taxation, but the latter would be preferable to the present not so slow march into a crisis of public debt. Table 2 shows certain dimensions of this looming crisis and this is best appreciated by noting that although the budget estimate of the gross borrowings for 1988-89 is more than three times that in 1980-81, these would actually yield a lower amount net of interest.

Thus, the claim of better economic management during the present drought is a highly questionable one. Except for some undoubted improvements in the performance of infrastructure sectors, it is difficult to find much which can be said to have been intended as drought management as opposed to a continuation of earlier trends. This is true of the fiscal stance which though more liberal than in 1979-80 was less liberal than in 1985-86 or 1986-87. It is also true of the budget's monetary implication because, although this was less liberal than in 1986-87, the total deficit was kept lower than in the previous year, not as a response to drought but in order to fulfil the political requirement of sticking to the prime minister's promised figure announced last year, well before the onset of drought.

More significant is the real expenditure on rural employment schemes. These schemes have undoubtedly been a major reason why rural distress is much less this year than in 1965-67, but the efficacy of this safety net, institutionalised by the Janata government, is something which has grown up over the years and does not reflect any particular exercise in drought management this year. Indeed, in the 1987-88 revised estimates, real spending on these schemes (deflated by cereal prices) was only 2 per cent higher than in the 1986-87 revised estimates, as against a drop in agricultural wage employment which must have been several times larger than the drop in agricultural output. The limited fiscal response to the drought becomes even more obvious if we consider the budgetary support for the central plan heads agriculture, rural development and irrigation, taken together. This rose by only 7.7 per cent between the 1986-87 actuals and the 1987-88 revised estimates in nominal terms, and thus actually declined in real terms, despite the "massive" efforts that the government claims to have put into the management of the drought.

#### THE UNION BUDGET AND AGRICULTURE

At the opening stages of his budget speech, the Finance Minister claimed that 'Plan Outlays for Centre and States in respect of agriculture and Irrigation are being increased by 40 per cent'. At the conclusion he stated that 'in framing the budget proposals my guiding principle has been to boost agriculture, help the poor and generate more employment, investment and growth'. Given that he was addressing parliament in a drought year preceded by three years of agricultural stagnation, the implied emphasis on agriculture was welcomed-more so because agriculture had been neglected in the previous budgets of the present government. Moreover, being replete with new spending proposals for the rural sector and promising tax cuts on many items purchased by rural people, the budget speech does give the impression that the 1988-89 budget is 'pro-kisan'. And it is on this basis and because of its softness on the tax front, that the press has seen it as an 'election budget'.

However, a close study of the bidget papers leads me to the rather incredible conclusion that, quite contrary to the impression given, the proposals for 1988-89 imply that agriculture and rural peoplé will not gain much and may probably lose in real terms. In order to appreciate this, it is useful to distinguish between the following: the new expenditure proposals in the budget, the additional expenditure under the heads agriculture, rural development and irrigation, and the new revenue proposals and consider each in turns.

Considering the new expenditure proposals first, the most striking thing to note is that very few of these actually involve any spending from the budget. Although the

TABLE 3: PLAN OUTLAYS AND SUPPORT 10 STATES

(Rs crore)

Year	Plan Expen- diture in Central Budget	Budget Support for Central Plan	Central Plan Outlay	Resource Transfers to States on Account of Share of Taxes and Non-Plan Grants and Loans	Assistance to States for Central and Cent- rally Spon- sored Schemes	Plans
1985-86	19914	12870	19116	9867	2849	6450
1986-87	22941	14875	23625	10220	3120	5538
1987-88 BE	. 23677	14923	24622	10982	3717 .	5277
1987-88 RE	24925	15044	25701	11492	3781	6272
1988-89 BE	25714	16000	28715	12872	4225	4952

Note: Last column gives central assistance for state plans + states' share of small savings loan repayments and interest payment from states and UTs to the centre.

budget speech devotes six pages to outlining proposal after proposal of interest to rural. people, only three—the Jaldhara-Kutirjyoti schemes, fire insurance for landless and poor rural families, and the setting up of a new Apex Bank for scheduled eastes and tribesinvolve any charge on the budget and that, too, only to the tune of Rs 100 crore. Most of the remaining proposals involve outlays not by the government but by public sector financial institutions, the most important of these being the proposal to cut interest rates on farm loans by between 11/2 per cent to 21/2 per cent for loan amounts upto Rs 15,000. With outstanding direct agricultural credit from institutional sources currently standing at over Rs 16,000 erore and with anything between 30 to 60 per cent of such loans likely to be eligible, this will cost the banks somewhere between Rs 75 and Rs 200 crore this year. All the other schemes, mainly in housing, social security and small industries will cost the financial institutions another Rs 200 to Rs 300 crore, mainly in the form of capital for yet more new institutions to be set up. In addition, there is the proposal to reduce fertiliser prices by 71/2 per cent but this brings no gain to farmers who have already been receiving higher discounts because of the fertiliser glut. All in all, the total expenditure likely to be of any benefit to rural people adds up to between Rs 400 to Rs 600 crore of which only Rs 100 crore comes from the Central Budget. There is reason to be doubtful about the true utility of many of these schemes, and the porposal to reduce interest rates is particularly ill conceived, although it may be popular, because it will not solve any of the real problems of farm financing and may infact cause a reduction in long-term credit because much of this is subsidised by the profits on short-term credit which will fall because of the cut in the rate of interest. Also, the practice of including proposals in the budget speech for which there is no budget provision is objectionable. Even apart from the propriety of doing so in order to make the budget appear more generous than it is, there is the whole issue of the government's role vis-a-vis public sector financial institutions. Should these be allowed to function commercially with socially beneficial but loss making activities subsidised openly from the budget, or should they be forced, a la Janardan Poojary, into activities of doubtful social benefit and certain commercial loss through ministerial dietat without open subsidy? N D Tiwari is not known to have as strong a preference for carnivals as his erstwhile deputy but most of his new proposals for the rural sector have much the same effect.

In addition to these new proposals are the proposed additional expenditure on existing and ongoing schemes in agriculture, rural development and irrigation. These can be estimated either by considering the expensionaring the relevant department or by considering the outlay classified according to plan heads of development. On the basis of

#### RALLIS INDIA LIMITED

It is hereby notified for the information of the public that **RALLIS INDIA LIMITED** proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for establishment of New Undertaking. Brief particulars of the proposal are as under:

1 Name and address of the applicant Rallis India Limited

Ralli House

21, D. Sukhadvala Marg Bombay 400 001

Programme Progra

1st November 1987.

(Rs. lacs)

AUTHORISED:

1,00,00,000 Ordinary Shares of Rs. 10/- each

1000.00

ISSUED AND SUBSCRIBED:

95,93,070 Ordinary Shares of Rs 10/- each

952.31 0.02

Add Amount paidup on forfeited shares

952.33

3 Management structure of the applicant organisation indicating the names of the Directors including Managing/ Wholetime Directors and Managers, if any The Company is managed by a Board of Directors consisting of

- Chairman

Mr. D.S Seth Di FA Mehta Mr YN Mafatlal

Director
 Director

Mr VN Nadkarni Mr S Parthasarathy Mr D R Peters Mr H J Silverston

Director
- Director
Director

Mr J K Setna Mr V J Sheth Dr. Ram S Tarneja Mr R D Thomas

Director
 Director
 Director

Indicate whether the proposal relates to the establishment of a New Undertaking or a New Unit/Division The proposal relates to the establishment of a new

undertaking.

The new undertaking is proposed to be set up at

Ankleshwar, Bharuch, Gujarat

6 Capital structure of the Unit/Division/Undertaking

Location of the New Undertaking/Unit/Division

Same as in (2) above

7 In case the proposal relates to the production, storage, supply, distribution or marketing or control of any goods/articles indicate:

Names of goods/articles	Proposed Licensed Capacity	Estimated Annual Turnover
(1)	(ii)	<b>(</b> III)
Ethephon	100 Tonnes	395 50 lacs

8 In case the proposal relates to the provisions of any services, state the volume of activity in terms of usual measures such as value, income, turnover Not applicable

9 Cost of the project

Rs. 144 lacs

10 Scheme of finance, indicating the amounts to be raised from each source

Debentures and Banks other than Financial Institutions

Rs. lacs

Institutions
Internal resources

144

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the notice of his interest thereon.

Dated this 29th day of March, 1988

RALLIS INDIA LIMITED

B.K. LASKARI COMPANY SECRETARY classification according to departments, the plan expenditure by the departments of agriculture and water resources are, indeed, 40 per cent higher in the 1988-89 budget estimates than in the 1987-89 budget estimates and this is the basis for the Finance Minister's claim for large expansion in agricultural spending. However, including the department of rural development, and comparing the total expenditure in the 1988-89 budget estimates with the 1987-88 revised, rather than budget, estimates gives an increase of only 7 per cent, or, Rs 200 crore. On the classification according to plan heads of development, the 1988-89 budget estimates of central plan out lay, at Rs 3,057 crore for agriculture, rural development and irrigation is actually less than the Rs 3.074 spent in 1987-88 according to the revised estimates. The difference between these two sets of figures arises mainly because of an item, budgetary support to NABARD costing Rs 388 crore in 1987-88 RE against Rs 78 core in 1988-89 BE, which although included under the plan head 'agriculture' is budgeted under the Ministry of Finance and thus, obviously, does not constitute spending by the department of agriculture. It is a moot point which of the two sets of figures, by department or by head of development, reflects more accurately the actual spending on agriculture. Normally, a case can be made to exclude spending on financial institutions such as NABARD from expenditure under agriculture proper on the grounds that this does not directly affect agriculture or rural people. But this would be a rather strange and inappropriate case to put forward in the context of this year's budget which promises much to farmers at the expense not of the government but of financial institutions. However, even if one were to be charitable to the Finance Minister and opt for the figures by department, the total increase of Rs 200 crore, 1987-88 RE and 1988-89 BE, for the departments of agriculture, rural development and water resources works out to a fifth of the corresponding increase for defence in absolute terms and is about the same in terms of the percentage increase. It is something of a tribute to Tiwari's ability to package, and a comment on the media's. gullibility and its instincts to hyperbole that press reports have left most people with the impression that the budget has announced a massive cut in real defence expenditure and massive increase in the spending on agriculture, rural development and irrigation. Infact, with inflation likely to be around 10 per cent again this year, both defence and agriculture (including irrigation and rural development) will suffer small cuts in real

On the revenue side of the budget, the finance minister announced customs and/ or excise duty reductions or complete exemptions on a very large variety of goods under the heads 'agriculture and allied sectors', 'food processing and packaging', and 'rural employment'. Not all the reliefs announced

under these heads will go to agriculture or to rural people. But, even assuming that they do, gives a total figure of only Rs 75 erore as reliefs under these heads. This is mainly because, although the list of items is impressive, the pre-budget revenue from these duties was small either because duty rates were low or because evasion was high; In addition, rural households would gain from the excise relicfs given to a wide range of consumer goods, including soaps, electric bulbs, toys, domestic appliances, stainless steel utensils, clocks, glassware, and, of course, 'the symbols of glorious and devout womanhood'. But this is the cleverest part of the budget where popularity is, literally, bought cheap—at a cost of only Rs 36 crore. Of this, the share of rural households is unlikely to exceed 50 per cent. As against these reliefs, rural households would have to pay their share of the Rs 650 crore to be collected in the form of the special excise tax imposed this year. If this share exceeds 15 per cent, as is most likely, all the duty reliefs would be wiped out.

All in all, considering both expenditure and revenue sides, agriculture and the rural sector thus get an increment in the budget allocation this year of less than Rs 300 crore even if we ignore the imposition of the special excise tax. In addition, the new schemes for agriculture and rural development announced in the budget speech but with no budgetary provision cost another Rs 300 to Rs 500 crore. Hence, the outside limit for the total monetary benefit from all the proposals in the union budget for 1988-89 for the 70 per cent of people living in the countryside works out to be less than the Rs 800 crore put aside in the budget as additional DA payments to the 1 per cent of the workforce on regular employment with the central government. The latter have, today, an average income five times as much as the average per worker income in agriculture, and they will also receive not insubstantial benefits from the proposed enhancement in the standard deduction for income tax. But, talk to any nicriber of this panipered tribe and you will be told that all this does not even cover inflation. There is certainly something wrong with our perceptions if we give credence to the latter complaint and yet believe that those in rural areas have gained handsomely-on what turns out to be a lower benefit for an incomiparably larger number of people and in a year when disposable agricultural income are likely to have fallen, probably even in nominal terms. Yet, the finance minister has been able to get precisely this response from the media, and this speaks volumes for the effectiveness with which he has turned the budget into a public relations exercise.

THE BUDGET, THE PLAN, AND THE STATES

There is, however, one impressive claim in this year's budget which cannot be faulted, except in terms of minor quibbles about the appropriate deflator. This is the claim that

63 per cent of the total outlay proposed for the central component of the Seventh Plan would have actually been spent in *real* terms by the end of 1987-88. In fact, the implication that *real* plan spending is ahead of target is true even when we consider the central plan outlay on agriculture and rural development. Thus, despite the widespread impression that agriculture has been neglected and despite the fact that there has been no real increase in spending this year, the central government can rightly claim that it has not underspent on agriculture and rural development as compared to the Seventh Plan targets.

However, such plan fulfilment, in expenditure terms, is unlikely to hold when we consider the Seventh Plan outlay for both the centre and the states and union territories. Unfortunately, the state budgets are not all in at the time this is being written, and the revised figures for 1987-88 available for some states only have to be supplemented by 1987-88 budget estimates for the others, On this basis, I estimate that the real expenditure on the plan, as a whole, is likely to be about 57 per cent of plan outlays end 1987-88 and that, therefore, expenditure is lagging behind targets. Since this implles that state and UT's plans are being seriously underfulfilled (only 50 per cent of their target outlays will be met by end 1987-88), it also implies that the underfulfilment of the overall plan targets are likely to be concentrated under those heads where the states have a large share of the plan outlay. And, in fact, this does turn out to be the case. Serious underfulfilment of Seventh Plan outlays are emerging in agriculture, irrigation, power, education and in health and family welfare. Of these, agriculture, power and education have been claimed to be priority areas in this and the previous budget speeches and in each of these the centre will be overfulfilling its plan targets.

We may, therefore, soon expect a burst of propaganda to the effect that whereas the centre is fulfilling its targets, the states are not. And, as has become invariable, the force of this accusation is likely to be directed mainly against the opposition ruled states. If this is done, then, somewhat perversely, it may also turn out to be the case that the party in power at the centre may gain rather than lose from its failure to have matched funds with its hyperbole about agriculture in this year's budget. It can rely on the press reports, point to the plan expenditure figures for the last three years and conveniently forget to mention the true facts about this year's figures. Since it is the reality rather than the propaganda about this year's union budget allocation which will affect rural people materially, the resulting discontent can, with suitable propaganda, even be turned to advantage by claiming that 'we (the centre) did a lot but they (the states) let you down!

These political possibilities (Machiavellian or otherwise) aside, there are other reasons to be worried about the emerging trends

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regarding plan outlays. With irrigation and power both unlikely to reach plan targets, serious infrastructural problems may soon hamper the growth in both agriculture and industry. The very serious shortfall likely in health and family welfare may compromise the targets for reducing population growth. And, with Navodaya schools and autonomous colleges rising up amidst serious underfulfilment of education targets elsewhere, the education system and the youth, in general, may soon show signs of stress and frustration. Also, since what matters is not expenditure but the output potential created, it is somewhat worrying that the sector with the largest overfulfilment, both on central and total outlay, is 'rural development' which not only is known to have a huge leakage but is also the most amenable to manipulation for political ends.

The main question to be asked, however, is why the states have lagged so far behind in fulfilment of plan targets as compared to the centre? The answer does not lie either in a more lax effort at tax collection or in greater profligacy of general government. In fact, in every year of the Seventh Plan, the additional resources mobilised through the budgets as a percentage of existing tax revenue has been larger for the states than for the centre. Also, the rate of growth of non-plan expenditure, excluding defence and interest payments, has been lower for the states than for the centre. The main reasons for the difference in plan fulfilment lie in the constitutional limits facing the states as opposed to the centre, and in the latter's increasing ability to take recourse to means of financing not available to states. First, as noted already, the central government has been increasing greatly its borrowings and deficit financing while states cannot print money and have to depend largely on the central government for loans. Second, the centre is increasingly financing the central plan outlay from extra-budgetary resources. Budgetary support makes up only 55 per cent of the proposed central plan outlay for 1988-89 as against a corresponding figure of more than 80 per cent in 1980-81. The extrabudgetary resources of central public sector enterprises, which fills the gap, does not reflect necessarily an improvement in the performance of the public sector. Increasingly, extra-budgetary borrowings by the central public sector enterprises are playing a major role, and such borrowing is largely not available to state public sector units.

As against this, gross central assistance for state plans has grown at a rate slightly lower than that of the centre's budgetary support for the central plan, and thus at a much lower rate than the central plan outlay. The states' ability to finance their own plans has also been increasingly squeezed. Despite a better record at additional tax mobilisation, state tax revenues have grown at a rate somewhat slower than central taxes reflecting their lower intrinsic elasticity. The states' share of central taxes has also grown slower than central taxes because of the centre's

increasing recourse to customs duties. And, like the centre, the states also have an increasing interest burden. In fact, it is often useful to consider net central assistance to states under three alternative heads. First, the resource transfers on account of states' share of taxes and non-plan grants and loans, most of which are statutory or semistatutory. These are best considered as financing states' non-plan expenditure. These transfers have grown at a rate lower than either states' own taxes or of their non-plan expenditure. Second, the resource transfers, net of interest and loan repayments to the centre, on account of states' share in small savings and on account of central support to state plans. This may be seen as the nes central support for state plans. This has, in fact, declined even in nominal terms over the period 1985-86 to 1988-89 BE. Third, are the central grants to states for central and centrally sponsored schemes. These schemes usually require that the state governments provide some funds to qualify for the centre grant and thus, although increasing total plan expenditure in the state, such grants reduce the resources available for state plans. With such grants increasing at about the same rate as the central plan outlay (and thus much faster than total states' resources) these have contributed to a fairly significant squeeze on state plans. This has not only distorted the pattern of plan expenditure from that proposed in the plan documents, but also, with much of such assistance being

in highly visible areas such as rural development, it has opened up a significant arena for debates as to who, the state of the centre, contributes more. Tiwari has done his bit for his party this year, by increasing central assistance to states for central projects by Rs 444 crore while reducing the net central assistance for state plans, as defined above, by as much as Rs 1,320 crore.

Thus, to some extent Tiwari has been lucky-in inheriting relatively high levels of plan expenditure and particularly a high expenditure on rural development. These have allowed the worse effects of drought to be averted without much additional effort this year, and laid the basis for a claim to record fulfilment of the plan. But he has also been clever in being able to get financial institutions to pay for his populisms, and in choosing for tax relief the maximum number of items at minimum cost. He has benefited certain well known friends of his party in, especially the synthetic fibres industry. But most of all he has been able to produce a 'pro kisan' budget without doing all that much for the kisan. Some may call it a fraud, but it is better described as an exercise in the management of public opinion. He has kept the door open for a mid-term election and only that, if it takes place, will show how successful he has been. In the meantime, with his large budget deficit, he has ensured that all of us, in our own selfinterest, must pray for a good rabi harvest.

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## A Budget for Farmers!

#### Nilakantha Rath

The impression that this year's central budget is a farmer's budget is factually wrong. If anything, the central sector plan allocations for agriculture, irrigation and rural development are lower in 1988-89 than in 1987-88. The finance minister has made somewhat larger budgetary provisions for improvement of rice production in eastern India, improvement in oilseeds production, help to small and marginal farmers, and on Command Area Development that may help a certain body of farmers in a limited way. On all other accounts the real budgetary provision is less than in the past. The tax concessions are confined to very limited number of potential beneficiaries. On the contrary, the interest rate policy, which is meant to provide an unsought benefit to a large body of farmers immediately, holds out ominous consequences for financial institutions and, if persisted with, will cost the cultivators dear.

THE Central Budget for 1988-89, presented by the union finance minister to the parliament on the last day of February, was characterised as an agriculture or rural-oriented budget. The claim can be examined and sustained in terms of (a) the capital outlay on agriculture (including rural development and irrigation and flood control), (b) concessions provided in prices of capital and current inputs in agriculture, and (c) social services provided to the population living in rural areas and dependent on agriculture. It would be instructive to go over these three aspects of the central budget.

#### CENTRAL PLAN OUTLAY

Capital outlay by the central government forms a very small part of the total national capital outlay in agriculture. Investment in agriculture is largely private: during the Sixth Plan period less than a quarter of the gross capital formation in agriculture was in the public sector. Capital outlay by the central government in agriculture (including rural development, irrigation and flood control) constitutes less than one-third (31 per cent) of the total public sector outlay under these heads in the Seventh Plan. This puts severe limits to the ability of the central budget to make serious direct impact on total investment in agriculture.

The finance minister stated in his budget speech that the proposed central plan outlay on agriculture for the year 1988-89 is about 40 per cent higher than in the previous year. In fact, the total of the central plan outlay on agriculture, rural development and irrigation and flood control in 1988-89 is only 12 per cent higher than the sum budgeted for 1987-88, and 0.6 per cent lower than the revised budget figure for that year (see Table 1). Even if one takes 'agriculture' alone, the increase over the 1987-88 budget is 18.2 per cent; compared to the revised budget estimate for 1987-88 it is lower by 6.8 per centl The finance minister was apparently referring to the first three statements of Demand for Plan Expenditures (Demand Nos.1, 2 and 3) of the ministry of agriculture. The proposed plan expenditures for 1988-89 under these three heads are 40 per cent higher than the budgeted figures under these heads in 1987-88; compared to the revised budget estimates for 1987-88, these are about 25 per cent higher. However, it is necessary to remember that these demand items of the ministry of agriculture include items (with large expenditures) that are not part of the outlay on agriculture and exclude many (featuring under other demand heads) which form parts of the agricultural sector. If the finance minister had used the relevant figures for comparison, the impression created would have been the reverse.

In point of fact, the budgeted plan outlay in the agricultural sector (including rural development and irrigation) for 1988-89 is marginally lower than the revised estimates for 1987-88. Indeed, compared to the earlier three years of the Seventh Plan period, the share of agriculture, etc, in the total central plan outlay for 1988-89 is the lowest: 10.65 per cent; in the earlier three years the revised estimates were 11.1, 11.03 and 11.96 per cent respectively (Ref Table 1.)

The plan outlay ligures are in current prices. For comparison with the Seventh Plan proposals, it is necessary to express these at 1984-85 prices at which the plan estimates were prepared. The only price indices available up to the end of 1987 are the wholesale price indices, and they are not useful for estimating plan outlays at constant prices. The implicit price index of gross capital formation in the economy as a whole in 1985-86 (first year of the Seventh Plan), with 1984-85 as base, is found to be 109.15: for gross capital formation in the public sector, 112.9; and for gross capital formation in agriculture in the public sector, it was 115.2. Compare this with the wholesale price index which was 107.1 in 1985-86 (1984-85 = 100). These, as well as the implicit price indices for 1986-87 (from the quick estimates for 1986-87 put out last month by the CSO) lead one to believe that the real plan outlay, in 1984-85 prices, has been much less than necessary during the three years 1985-86-1987-88, and the share of agriculture, etc, would be even lower than indicated by current price estimates, since the implicit price index for capital formation in agriculture in the public sector has been rising faster. (One looks forward to the midterm appraisal of the plan for further light

on this.) It implies that the central sector plan outlay in agriculture, etc, in real terms, has not been increasing, but if, anything, declining. And next year (1988-89) it would, most likely, be worse than the levels so far.

The decade of the 80s has witnessed a steady decline in real public sector investment in agriculture, not only in terms of share in total investment but also in absolute terms. During the Sixth Plan period the total public sector investment in agriculture was about 23 per cent lower than what had been planned, while the overall public sector investment was only 11 per cent short of planned (at constant prices). The Seventh Plan's proposed public sector investment in agriculture was just about the same, in constant prices, as the actual Sixth Plan performance, while the overall public sector investment in the Seventh Plan was put at a much higher level than the Sixth Plan actuals.2 This lowering of public sector investment in agriculture in the Seventh Plan ar ars to be getting strengthened, if the trend of the central sector plan outlay on agriculture, mentioned above, is indicative of the state of affairs in the state sector as well. Under the circumstance, it is improper to convey the contrary impression, as the budget speech might lead the unwary reader to think. If the political authorities, on their part, believe this, it would be distinctly harmful.

While the overall central plan outlay on agriculture, etc, has not increased compared to the revised budget estimates of 1987-88, there has been significant increase under some specific heads (Ref to Table 2.) These are, (i) centrally sponsored seheme for production of rice in eastern states; (ii) national oilseed development project and oilseed production thrust programme; (iii) scheme for small and marginal farmers and agricultural labourers; (iv) an unspecified 'other schemes of erop husbandry'; (v) fisheries, and (vi) Command Area Development (CADA). Since some of these are thrust areas of the Seventh Plan, it would be useful to look at them specifically.

The special rice production programme in the eastern states is one of the major programme thrusts of the Seventh Plan in agriculture. After being tried out in 1984-85

as a pilot project in 50 blocks at a total cost of Rs 5 crore, it was proposed for the Seventh Plan period in about 20 per cent of the blocks (430 selected blocks). The cost is shared equally with the concerned state governments. The object is to help improve rice production in the eastern states "by overcoming both short and long-term constraints through intensive training of farmers, motivating them to use better inputs and development of better irrigation and drainage programmes." The central plan expenditure during the first three years was about 12.16, 16.63 and 20.12 erore of rupees; the 1988-89 budget proposed a big rise to Rs 33.85 erore. Apparently, the government and the Pianning Commission think this programme has been worthwhile and productive.

The total production performance of rice in the eastern Indian states does not give any firm indications of the impact of this programme during the last three years. In Assum rice production in 1982-83 and 1983-84 was a little over 2.5 m tonnes; in the subsequent years it was 2.4 m tonnes or less, except in 1985-86 when it rose to 2.8 m tonnes. In Bihar a peak was reached in 1984-85, 5.4 in tonnes; in the two subsequent years it was higher, at 6.0 m tonnes. Rice production in Orissa reached a peak of 5.1 m tonnes in 1983-84; after that it has been much lower except in 1985-86 when it was 5.2 m tonnes. In West Bengal rice production reached a peak of 8 in tonnes in 1984-85; 1986-87 shows a marked improvement over it to 8.4 m tonnes. This suggests that significant increases in production had been recorded before the programme came into existence. Therefore, the relative contribution of this specific programme cannot be easily inferred from the later trends. While figures of statewise trend in fertiliser use are not readily available, there was no change in the reported area under HYV paddy, at the all-India level, during 1985-86 and 1986-87, and the increase over 1984-85 was very little. Therefore ground level micro studies alone can throw any light on the effectiveness of this programme in the initial years. However, it is quite possible that this basic extension scheme has helped to stabilise and strengthen whatever the underlying forces that were leading to increase in paddy production in select areas in these states in recent years.

The National Oilseed Development Project is another thrust area scheme where the expense is entirely central. The Oilseed Production Thrust is a new scheme to be introduced from 1988-89. While the first aims at "adoption of a package approach on an area basis in respect of each important oilseed crop in selected states", the components of the second project "include additional seed production, demonstration, plant protection, supply of gypsum and market support". While in the first three years of the plan the outlays under the heads was 27.25, 16.5 and 36.4 erore of rupees, the combined outlay under the two heads is proposed to be Rs 52.5 crore in 1988-89. It is difficult to judge the impact of this programme so far. A number of oilsecds are involved. The area and production of soyabean, a new crop, has recorded steady increase over the years and its productivity level has also remained steady. Rape and mustard are the second most important oilsceds in India. While the area under these has shown no increasing trend since 1980-81, the total production has shown some rise in recent years mainly through greater area being under irrigation. Despite this, per acre yield which reached a peak in 1984-85, before the scheme started, has remained below that. It is clear that extension of this crop to irrigated area has been the major development. This being the basic thrust of the programme (promoting oilseeds in "low risk environment by bridging gaps in technology, credit, input and irrigation") the programme through timely supply of seed and other inputs, has possibly enabled people to respond effectively to the ruling high relative prices. The same is the story with regard to groundnut, the major oilseed crop of India. The area under groundnut has not recorded any rise in recent years. Total production and output per hectare reached peaks in 1981-82 which have not been

reached since. The only increase recorded has been in the area under irrigation; nearly 18 per cent of its area is today under irrigation, recording almost doubling of this area over a decade. The crop being largely unirrigated and grown in dry agricultural regions of Gujarat, Andhra Pradesh, Tamil Nadu, Karnataka and Maharashtra, the steady extension of irrigation had some stabilising effect on the year to year fluctuation in production, though it cannot counteract widespread drought in major producing regions.

Micro studies into the implementation of the scheme suggest that the scheme has been largely concentrated in irrigation areas, where the beneficiaries are provided with improved seeds and fertilisers. The improved seeds appear to have resulted in some 10 to 15 per cent increase in per hectare yield over the local varieties under irrigated conditions, particularly in summer. But so far as unirrigated groundnut, which is the bulk of groundnut, is concerned, the programme appears to have had little impact.

All this suggests that the increase in groundnut production is erucially dependent on bringing groundnut area in the dry agricultural regions under irrigation. Fortunately, groundnut requires only light irrigation when grown in the kharif and rabi seasons; it is a rather heavy water using crop when grown in summer. But thanks to the prevailing policies about distribution of water in public irrigation projects in the dry agricultural regions, a large part of irrigated groundnut there is grown in summer. If this water could be restricted to use in rabi season, a proportionately much larger groundnut area could benefit. There is nothing in the present scheme of the government of India and the Planning Commission to lead in this direction. May be, this is thought to be a state subject.

But the various soil and water conservation schemes, which also feature in the central plans for dry lands, could make a contribution in this direction through suitable development of micro watersheds and seasonal use of the surface flow water

TABLE 1: CENTRAL PLAN OUTLAY ON AGRICULTURE, RURAL DEVELOPMENT AND IRRIGATION, 1985-89

(In Rs crore)

Sector	198	35-86	198	86-87	198	7-88	1988-89	Seventh Plan
	Budget	Revised Estimate	Budget	Revised Estimate	Budget	Revised Estimate	Budget	Provision
Agriculture	918	859 · (4.27)	917	902 (3.82)	912	1157 (4.5)	1078 (3.75)	4057 (4.25)
Rural development	918	1234 (6.14)	1509	1541 (6.52)	1651	1744 (6.79)	1762 (6.14)	4901 (5.13)
Irrigation and flood control	169	138 (0.69)	158	163 (0.69)	167	174 (0.67)	217 (0.76)	835 (0.87)
Sub-total		2231 (11.1)		2606 (11.03)		3075 (11.96)	3057 (10.65)	9793 (10.25)
Total central sector planoutlay	18500	20094 (100)	22300	23625 (100)	25622	25701 (100)	28715 (100)	95534 (100)

Note: The figures in brackets indicate percentages to total central sector plan expenditure.

Source: The budget and revised estimates are taken from the central budget documents for 1986-87, 1987-88 and 1988-89; and the plan figures from the Seventh Five Year Plan. The actual expenditure figures for 1985-86 and 1986-87 were not readily accessible.

impounded in minor, reservoirs. But the budget shows no increase in financial allocation for any of the four or five schemes relating to these areas (National Watershed Development Programme for dry land agriculture, dry land farming, soil and water conservation, National Watershed Development Board, Integrated Soil and Water Conservation Programme). The real resources made available for these purposes have steadily declined from year to year, and the new budget does not propose any reversion in the trend.

Another scheme for which there is a sharp increase in budgetary provision is schemes for small and marginal farmers and agricultural labourers. The purpose of the scheme, to quote the budget document, is, "To enable small and marginal farmers to obtain needed inputs, fertilisers and

improved seeds and also to benefit from minor irrigation and water management and land development". The financial assistance under the scheme is provided through the state government. Therefore, the budgeted sums are exactly spent every year. Compared to the current (1987-88) year's expenditure of Rs 66.95 erore, the 1988-89 budgetary figure is almost double. Rs 128 crore. But it is good to remember that there has been an equally sharp decrease in the past; in 1985-86, the first year of the Seventh Plan, the expenditure under the head was Rs 100 crore but next year it was slashed down to Rs 50 crore, with a slight increase to Rs 66.95 erore in 1987-88. One does not know the reason for these sharp ups and downs. Nor is any information available on how the money has been used and what benefits flow. In the absence of proper scrutiny and assess-

ment this can go the way of most IRDP loans and subsidies. Whatever the economic benefits, the political benefits of both can be very great indeed.

There are two other schemes on which there is a distinct rise in budgetary provisions: one is called 'other programmes of crop husbandry'. This is a new head introduced this year; so there is no past expenditure under the head. But the provision is quite large, Rs 70.01 crore. All the explanation provided in the budget documents is, "Provision includes contributions to FAO, World Food Programme, etc., and Rs 70 crore for strengthening agricultural programmes". It is not clear how much is for 'strengthening agricultural programmes'; from the way it has been put one gets the impression, Rs 70 crore. What are these? One hopes the parliament will be told about the details and

TABLE 2: CENTRAL SECTOR PLAN OUTLAY ON AGRICULTURE, ETC., UNDER CERTAIN SPECIFIC SUB-HEADS, 1985-89

(In Rs crore)

Sector and Sub-heads	Seventh Plan	198	5-86	198	6-87	198	7-88	1988-89
	Provision	Budget	Revised Estimate	Budget	Revised Estimate	Budget	Revised Estimate	Budget
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 Agriculture								
1 Agricultural research and								
education	415 00	75 00	58,86	81.00	76.00	82.00	82.00	95.00
2 Crop husbandry	1305.00	202 12	203 90	207 26	224.66	215.55	253.38	387.22
i) Rice in eastern region		20.00	12 16	23.00	16.63	22 11	20.12	33.85
ii) National oilseeds deve	-							
lopment programme		30 00	27 25	16.50	16.50	17.50	36.46	17.50
iii) Oilseeds production								
thrust							-	35.00
iv) Schemes for small and	i							
marg, farmers and								
agricultural labourers		100.00	100.00	50.00	50.00	66.95	66 95	128.00
v) Dry land farming		14.00	15 76	18.96			-	
vi) National watershed								
development pro-								
gramme for diyland								•
agriculture			54.54	53.54	24 25	27.50	6.35	30.00
vii) Other programmes of								
crop husbandry								70.01
3 Soil andwater conservation	110.00	37 00	36 83	43.81	35 57	36 00	35 65	38.00
4 Animal husbandry and								
dairying	410.00	95.45	93.27	97.38	85.59	90.00	97 73	85.17
i) Operation Flood II		82.00	82.00	74.70	67.83	56 14	69.90	53.57
5 Forestry and wild life	446.71	54.25	52.43	75.00	71.78	91.00	83.42	95.00
i) national watershed	_		`					
development board		11.93	12.65	8.62	9.00	15.93	12.72	14.95
ii) Integrated soil and								
water conservation								
programme		12.00	12.00	12.88	10.88	15.39	15.90	12.00
iii) Social Forestry		26.00	24.90	22.45	24.10	23.18	19.58	19.00
II Rural Development								
1 IRDP and related								
programmes	1864.38	269.05	278.57	378.50	357.43	412.40	383.80	464.56
i) IRDP		226.50	220.97	279.21	280.21	310.00	297.00	346.22
ii) DPAD		37.00	37.00	46.00	35.00	45.50	36.50	51.26
iii) Development of deser	t							
area		8.00	16.00	39.00	29.00	39.00	33.55	50.00
2 Rural employment	2994.59	630.00	943.55	1076.30	1151.15	1205.00	1334.90	1259.43
i) NREP	1250.81	220.00	. 337.21	442.65	466.75	480.00	652.85	529.43
ii) RLEGP	1743.78	400.00	606.34	633.65	684.40	725.00	682.05	730 <b>.00</b>
iil) Land reforms	36.71	4.70	3.70	4.05	3.60	5.75	3.55	9.65
III Irrigation and Flood Cont	rol 834.93	169.00	138.00	156.98	163.10	167.00	173.80	217.30
i) CADA	500,00	107.00	82.00	89.00	85.20	86.00	89. <b>9</b> 0	124.90

Note: The data are extracted from the budget papers of the last three years. Only some sub-heads and some items under these are presented here.

# Dandiyatra 1988: Resolve to Re-establish Gandhian Values

#### Interview with Gujarat Chief Minister

Question (Q): Why the re-enactment of Dandi March taking place now after so many years?

Chief Minister (CM): The present generation and especially younger Indians have no perspective on how the 'Salt Satyagraha' resulted in a massive national freedom movement which culminated into achieving Independence after seventeen years. It is, therefore, essential to re-enact Dandi Yatra. The present 'Dandi Yatra' in Gujarat, started on March 12 was flagged off by the prime minister Rajiv Gandhi from Gandhi Ashram. Shri Rajivji walked with young marchers no less than 11 kilometres on that day and aroused unprecedented enthusiasm among the people.

Q: Kindly give details about the planning of Dandi Yatra keeping in view the re-enactment of Dandi-March?

CM: The present Dandi Yatra programme was planned keeping in view the full essence of Mahatma Gandhi's ideals. The day and the time of departure, the route, number of participants and the villages covered were same as they were for Mahatma's 'Dandi March'. Prime Minister Shri Rajiv Gandhi felicitated the surviving veteran marchers. Our Vice-President who is a veteran freedom fighter, Dr Shankar Dayal Sharma welcomed the 'Yatriş' and also laid the stone for proposed the 'Swarajya Bhavan' at Jambusar where the Congress Executive Committee met on March 92, 1930 and Shri Motilalji and Pandit Jawaharlalji made a declaration to dedicate their Allahabad residence 'Anand Bhuvan' to the country.

Q: Will you please give an idea of the planning you have adopted to fight the challenge of drought?

CM: Unfortunately, the state is reeling under drought this year, the fourth consecutive one in some parts of Gujarat. Practically the whole State is in the grlp of acute scarcity conditions. Indeed, we are now facing the century's worst drought. While the scenario for this year's drought is extremely serious, over 15,000 of the villages are badly affected by the drought and 16,350 villages and hamlets are facing shortage of drinking water, over and above urban areas and metropolitan cities. We have prepared a Master Plan of Rs 1111 crore to meet the challenge. The State has entered the peak period of scarcity now and at present as many as 21 lakh labourers are employed on more than 14,000 relief works. Nearly 12 lakh cattle heads are being maintained in cattle camps as well as in 'Gaushalas' and 'Panjrapoles' under the care of voluntary agencies with the active assistance and the financial support of the state government.

Q: Recently Gujarat had hit the headline by forming Task Missions. Would you please give detailed account and purpose of their formation?

CM: Task Mission is a new concept in advanced technology and planning. Gujarat has formed Eleven Task Missions to achieve important targets in key sectors of development. This will not only accelerate the progress of plans and programmes but also prove to be an important step for their time bound implementation. Keeping in view the approach of the National Technology Missions set up by the Prime Minister, Shri Rajiv Gandhi the task missions have already been assigned the task of preparing outlines for programmes of action for the year 1988-89 The Task Missions include Task Mission for Boards and Corporations, Integrated and Consolidated Resolutions, Employment, Implementation of Important Projects, Housing, Activity of Legal Inquiries and Procedures for Compromises, Inventory Control on Resources and Management of State Assets, Effective Implementation of Schemes for Weaker sections and Development of Backward Areas, Reformation in Education and Health Services, Toning up the State administration and modernising and updating rural records.

Q: What is the performance of Gujarat in respect of implementation of 20-point programme?

CM: Gujarat has been amongst the front-ranking States in the country in the implementation, of 20-point programme. Recently the State Government has received a quarterly report ending December, 1987, from the Central Programme Implementation Committee which states that Gujarat has attained the 5th position in achieving quarterly targets, while report for the period ending January 1988 shows that the State has attained 48 marks against 57 marks thereby achieving 84 per cent of target. The noteworthy point of progress is that the State has crossed the annual targets in the Registration of Small Scale Industries, the Distribution of surplus land, the Anganvadi, the electrification of wells and the distribution of house-site plots. We have already crossed the annual targets in respect of NREP, ICDS, construction of Houses for low-income group and opening of fair price shops even before the scheduled time.

Q: Will you please list the results of development and their benefits received by weaker sections of the society?

CM: The aim of the time-bound programmes of planned development is to achieve social-economic uplift and results of balanced justice. Several special programmes have been implemented as part of strategy for removal of poverty in last three years of the 7th plan. Gujarat is the only State in the country to implement the revolutionary scheme of long term beneficial incentives for the couples having only daughters. Besides, result oriented approach for intergrated rural development, multipronged programmes for improving the living standards of scheduled tribes and castes and other backward classes, etc, have become the landmarks

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"For me there is no turning back whether I am alone or joined by thousands. I would rather die a dog's death and have my bones licked by dogs than that I should return to the Ashram a broken man..."

-Gandhiji.

reasons. The other item on which there is an increase is fisheries. The bulk of this is loans to trawler companies.

Thus, excepting rice programme in eastern states, oilseeds development programmes and provision for small and marginal farmers and landless agricultural labourers. there is no significant increase in any other heads affecting farmers. Provisions for dry land development and soil and water conservation have not received any greater attention. The social forestry programme, started with fanfare three years ago, has been receiving steadily diminishing allocations. Could it be that all these are not found as useful and effective as visualised? If so, why? If not, why the lack of budgetary cnthusiasm, and where else is it being compensated? During the last two years, the government of India has spent Rs 74 and Rs 60 crore on crop insurance; even in the very first year, 1985-86, it had spent Rs 16 crore, when the scheme was just beginning. But the provision for 1988-89 is almost nif (1 lakh rupees only). Is this a manifestation of the growing optimism about the future, or is it to keep budgetary deficits low wherever possible?

Irrigation and flood control are largely state subjects. The only head under which there has been a significant rise proposed in the central plan outlay is CADA; from about Rs 90 crore in 1987-88 to about Rs 125 crore in 1988-89. One hopes even after adjustment for price rise, this will mean a real increase in allocation. Indeed, the trend of expenditure under this head so far suggests that the original plan provision of Rs 500 crore under this head, at 1984-85 prices, would be achieved at current prices by the end of 1989-90; but in real terms, it would be far less than planned.

The biggest share in the central sector plan for agriculture, etc. is of rural development, mainly IRDP and related programmes, and the Rural Employment Programmes. It accounts for 5.13 per cent of the total central sector plan outlay in the Seventh Plan, while agriculture and irrigation account for 4.25 and 0.87 per cents respectively. Indeed, the Seventh Plan not only did not increase the real allocation for agriculture, etc, in the public sector over the Sixth Plan actuals, but also put a larger share of this into the programmes for direct attacks on poverty, reducing the actual public sector investments in agriculture further. The countrywide debate and discussion on the antl-poverty programme had suggested that since the best efforts at investment in agriculture cannot, in the foreseeable future, reduce rural poverty significantly, it—that is, the best investment efforts in agriculture-should be supplemented by a massive programme of direct attack on poverty by creating greater employment and income for the poor. The Planning Commission, however, instead of making the Rural Development Programme a supplement to agricultural programmes in the public sector, made it a substitute. The government of India in its plan outlays during the four years of the plan, appears to have gone turther: while the plan suggested the share of rural development to be 5.13 per cent, it's share in the central plan outlay during the four years has been always more than 6 per cent, for two of these four years more than 6.5 per cent. On the other hand, the share of 'agriculture' has been less than 4 per cent in two of the four years, including in the new budget, while the planned share was 4.25 per cent.

The budget for 1988-89 provides larger funds for IRDP, ctc, than the budgeted as well as the revised estimates for 1987-88. But, for Rural Employment Programmes the provision is less than the revised estimates for 1987-88, presumably in anticipation of a better agricultural year. The Department of Rural Development had proposed amalgamation of NREP and RLEGP into a single rural employment generation programme by adopting the Employment Guarantee Scheine approach of Maharashtra at the national level, with much greater resource commitment for the purpose. The ministry preferred to call it a supplement to IRDP; since the National Development Council has approved the plan approach, making IRDP the centre piece of the anti-poverty programme, the department presumably could not say anything otherwise. The minister has announced consideration of these proposals during 1988-89. It is very likely that these considerations will coincide with the discussions in the Planning Commission about the approach to the Eighth Plan. And it would not be surprising if the final year of the Seventh Plan sees the announcement of a national EGS on a pilot-basis, as prelude to its adoption in the Eighth Plan. There obviously are great political advantages attached to the last year of a plan coinciding with the year of general elections.

IRDP has been provided with a somewhat larger budget for 1988-89 than either the budget or revised estimates for 1987-88. This shows undiminished adherence to IRDP, the findings of the monitoring surveys by the Department of Rural Development notwithstanding. The minimum adjustment, pending full-scale revaluation, that the government could do is to give up fixing annual targets about beneficiaries in the blocks either from the secretariate or in proportion to the regional incidence of rural poverty, both of which are irrational, inasmuch as they do not take into account the feasibility of various schemes in the blocks into account. Instead, it would be preferable to ask each block agency (DRDA) to fix the target for the next year, in consultation with other parties, like banks, etc, involved in it. The government can then hold the block-level agency accountable for the success of its own target. This should impart greater realism and relevance to the project, and indicate clearly where and under what conditions IRDP can be expected to occupy the centre stage of the anti-poverty programme. While the budget documents do not go into these questions, one hopes the matters will be discussed in the parliament at the appropriate stage.

The related programmes of DPAP and Desert area Development have only marginal increase in budget allocation. But the rather surprising thing is the failure of the government to spend even the budgeted sums, under these heads, as also in most other heads relating to dry land development and soil and water conservation, during 1987-88 which has repeatedly been pronounced as the worst drought year of the country. The works under such scheme are, or should be, mainly labour-intensive works. The failure to fully implement these schemes under the circumstance is difficult to understand. Indeed, different schemes in this field are administered by two different ministries in three different departments, when at the ground level they should be well coordinated and integrated schemes.3

#### TAX CONCESSIONS

So much for the central plan expenditure on agriculture and related fields. Turning to concessions provided for inputs, capital and current, in agriculture, one finds that the budget provides for a larger subsidy on fertiliser account than during 1987-88. This is essentially to cover the cost difference on the basis of retention price for fertilisers and the market price fixed for these. The retention prices are estimated to rise in coming year due to rise in power, transport, etc, costs (many of which were announced by the government before the budget), and possibly on a farger quantum of fertilisers. It does not of course imply any reduction in the prevailing price of fertilisers. The finance minister has advised the industry to give a 7.5 per cent concession on the prevailing price. The fact of the matter is, during the current year (1987-88) the industry, plagued by excess inventories, has been offering about 10 per cent discount on the price, without suffering loss, but in some cases improving the profit level. They surely would not mind changing the label on these discounts to 'On Finance Minister's Advice'.

The finance minister has announced a number of concessions of excise and customs duty on equipment and input used in agriculture. Excise tax on a large number of pesticide intermediates are abolished, and customs duty on a number of pesticides and intermediates are reduced from 105 and 147 per cent to 70 and 60 per cent ad valorem. Hopefully this should counteract the simultaneous rise in fuel, power and transport costs, and any surplus may be passed on to the farmers. It is, however, not clear how elastic is the demand for pesticides to small variations in price, since in many situations availability of necessary spraying equipment, water as well as inadequate marketing channels are greater obstacles.

Excise duty on electric motors used in monoblock and submersible pumpsets for irrigation is proposed to be abolished. Similarly, sprinkler systems, fodder mixers, germination appliances, egg candlers will be freed from excise. Surely, this should make these irrigation equipment cheaper, but whether the farmer will notice it will depend

on the extent to which this would counteract the rise in the cost of steel, fuel, power and transport, and finally on whether electricity is available for the purpose, a big 'if' at present. Similarly, the proposed reduction in excise duty on parts and accessories of cold storage plants should help in limiting the rise in cold storage charges of fruits and truck, crops like potato. The reduction in the customs duty on 34 items of food processing and packaging machinery as well as the token reduction in excise duty on jams, jellies, sauces and pickles are unlikely to be reflected in the prices received by the farmers, in view of the present size of these industries, unless these are farmers' coperatives. The beneficiaries are likely to be the industries and consumers.

The very limited impact of the above tax concessions on farmers is obvious. However, the finance minister made another policy announcement which is more serious. He announced that the Reserve Bank of India (at the instance of the Government of India) has agreed to reduce the interest rate on short and long-term loans to agriculture by 11/2 to 2½ per cent, to 10 per cent. This is sure to affect 30 to 40 per cent farmers in the country who borrow from co-operative and commercial banks in a year. 4 And this will be done at no cost to the national exchequer. Who will bear the eost of this reduction? The Reserve Bank of India, NABARD, the commercial banks and the co-operative banks, in that order. The co-operative banks provide more than two-thirds of the shortterm farm credit, called crop loans, in the country, and the bulk of this is provided by the RBI through NABARD, at a low rate of Interest. Now, this sum will have to be provided by the RBI and NABARD at 21/2 per cent lower interest rate. The same will be the case with term loans advanced by LDBs and commercial banks, a large part of which is refinanced by NABARD which will have to lower its interest rate appropriately. Any surplus from its interest earning that NABARD gets after meeting its administrative costs, goes largely to increase its total loanable funds. Reduced earnings from this source, particularly in regard to term loan funds, will result in NABARD depending to a greater extent on the government for meeting its increasing needs in the future. And the central government has already shown its intentions by providing for the smallest sum to NABARD in four years in the budget for 1988-89. Nor is the World Bank likely to be very enthusiastic about such a policy to help with more loanable funds.

The most serious impact of this interest rate policy is likely to be on the commercial and co-operative banks. The agricultural loan accounts of most commercial banks are already in the red. If it has not shown up in their overall accounts so far, it is because the agricultural loans, with low interest rates at 12½ per cent constitute hardly 15 per cent of their total lendings, and the higher earnings from other loans cover up the ioss on agricultural account. The lower interest

rate at 10 per cent will make their already bad conditions worse, particularly when NABARD does not refinance the larger part of their agricultural loans. At this rate it will not be long before nationalised commercial banks' accounts go into red, unless they restrict their agricultural lending under one pretext or the other, despite government pressure. The situation of co-operative banks would be worse. As it is, because of the stipulated low interest rates on agricultural lendings and high interest on deposits (higher than paid by commercial banks) the co-operative banks have been reluctant to lend to agriculture from their own funds, but depend on refinance by NABARD, RBI and NABARD, on their part, have pressurised these banks to provide at least a minimum stipulated part of their loans from their own funds. With this 21/2 per cent reduction in lending rates, they are very likely to eave under. Already co-operative finance institutions, including those which until the other day were in relatively good financial position, are in bad shape due to growing politicisation of co-operatives. This new policy decision is sure to push these further to the brink.

With such omlnous consequence of this interest rate policy for agricultural finance institutions, what were the compulsions for such a policy? Surely, no farmers' organisation, active in different parts of the country in recent years, has demanded this. If farmers have demanded writing off of loans, it is not because of 'high' interest rates, but because the crops have failed due to failure of rains, or insects and pests, or the prices have erashed. The answer to their problem is not to lower interest rates. In fact, the present institutional interest rates for agriculture are quite low; for certain of these purposes the rate deserves to be raised to the prevailing market rate level. All this is common knowledge not only with financial institutions but with farmers as well. If, despite this, the government has decided upon lowering interest rates, it can lead to only one unavoidable conclusion, that it is a populist counter to farmers' agitations, at no cost to the exchequer! Whereas government policy should help build and sustain. institutions that are meant to serve agriculture, it is doing quite the contrary.

#### SOCIAL SERVICES

Finally, provisions for social service ofrural people. The most important of these is provision for rural water supply and sanitation. The budgetary provisions for this have been steadily increased over the successive budgets; but the 12 per cent increase in the 1988-89 budget over the revised estimate for 1987-88 may be absorbed by inflation, leaving the real provision no higher. Similar is the situation regarding the provision for rural family welfare. Provision for rehabilitation of bonded labour is gradually petering out; possibly there are no more rural bonded labourers left. Last year a new provision of social insurance for landless labourers was introduced on which

Rs 15 crore were spent last year and Rs 20 crore are provided for 1988-89. A new scheme of insurance for the poor through the General Insurance Corporation has been announced this year, with provision of Rs 20 crore. One must await the details of the scheme before commenting. However, the best insurance that the government can provide the poor and the landless is insurance against unemployment. Token gestures in the nature of assurance of some monetary help for a limited number of them on the death of the earner can be poor consolation to their families for whom every living day is a struggle against hunger.

#### CONCLUSION

It is unfortunate that a factually wrong impression has been conveyed that this year's central budget is a farmer's budget. If anything, the central sector plan allocations for agriculture, irrigation and rural development are lower for 1988-89 than was the case in 1987-88. Certainly the finance minister has made somewhat larger budgetary provisions for improvement of rice production in eastern India, improvement in oilseed production, help to small and marginal farmers, and on Command Area Development, that may help a certain body of farmers in a limited way. On all other accounts the real budgetary provision is less than in the past. The tax concessions are confined to very limited number of potential beneficiaries. On the contrary, the interest rate policy which is meant to provide unsought benefit to a large body of farmers immediately, holds out ominous consequenees for linancial institutions, and if persisted with, will cost the cultivators dear.

#### Notes

- 1 See the recent volumes of National Accounts Statistics, (CSO). Also, N Rath, 'Agricultural Growth Investment and Credit in India', Sir A Ramaswami Mudaliar Memorial Lecture at Kerala University, Trivandrum, August 13-14, 1987, awaiting publication by the University.
- 2 Rath, ibid.
- 3 There is a small plan provision for land reforms, a large part of which is meant to help states which do not have proper land records to take steps to prepare these, so that tenancy protection and ceiling lands can be effectively implemented. But the shortfall in actual expenditure over budgeted under this head has been stated to be because of failure of concerned states to do precisely this. It ls a telling commentary on the seriousness of the concerned state governments about land reforms and one may be excused for thinking that the greatly increased budgetary provision for 1988-89 is to create public impression only.
- 4 On the basis of Rs 6,000 erore of total institutional credit to agriculture (figure for 1984-85), the concession will be at least Rs 150 erore a year.
- 5 For a discussion of some of these issues, see Rath, ibid.

## Union Budget 1988-89

#### **Unparalleled Complacency**

L C Jain

The budget for 1988-89 is not only devoid of fertile ideas but is also knowledge-proof and holds little hope for steering the economy. Drought will persist in the agricultural sector and sickness will continue to eat into the industrial counterpart of the economy. The poverty alleviation programmes will not guarantee either employment or efficient use of resources.

DROUGHTS may or may not, but complacency is certain to kill us. In the degree of its self-satisfaction, the 1988-89 budget has no parallel-whether you look at its treatise on agriculture, industry, public sector, prices, poverty or unemployment. It is, however, not devoid of compassion. The survivors of those who may die or have themselves or their huts burnt down by fire will get some insurance compensation by paying subsidised rates of premium. And, those who cannot be protected from slaughter by the terrorists will henceforth have at least the comfort that their widows and children will have access to free railway passes for life, to travel to any corner of the country wherever they can find a spot to drown their gricf, or more likely to perpetuate the painful recollection of their tragedy.

T

First, agriculture, which is the swan song of the linance minister this year. Indeed, it could not be otherwise if the government had to appear as standing up to the challenges of drought on the one hand and Tikait et al on the other. Says N I) Tiwari, that 'our agriculture has demonstrated its basic strength, in the face of successive monsoon failures'. His notion of basic strength is that it has produced substantial food stocks to help withstand the impact of the current drought.

There is no awareness reflected anywhere in the longest budget speech ever, that the same basic strength of India's agriculture is also its basic weakness. The market surpluses accumulated as food-stocks emanate only from a limited number of states which are now all well-endowed and continue to be enriched further through huge accretion of cash annually through food procurement agencies. This high productivity in limited regions has been attained through employment shrinking technology and sharpening of inequities even in the bumper regions, let alone the accentuation of regional disparities and perpetuation of poverty and unemployment in agriculturally low growth or stagnant areas. In the latter areas food grains consumption (dependent on availability of surpluses from other areas) also remains low and lower compared to the well-endowed regions.

It is widely recognised that the true strength of our agriculture would lie in creating conditions for higher agricultural production and productivity in the stagnant or declining areas which are also the dryland farming and drought-prone areas. It is also common knowledge that the strategy of development in dry farming areas centred as it is on detailed land-use planning and moisture conservation has to be vastly different from incre supply of inputs which did the trick in Punjab, Haryana, western UP, etc.

In the drought-prone areas the crucial constituents of the strategy are: detailed watershed management, project approach, tying up of flow of resources and inputs, integration of programmes of agriculture, livestock, fodder, firewood, forestry, nonfarm activities, poverty alleviation—all in a purposively combined, mutually reinforcing manner, specific and suitable to each area and the condition and quality of its natural resources. Defied by the finance minister is this vast body of knowledge that has accrued in the past 30 years at great cost to society.

The solutions the finance minister has produced are a mere sprinkling of bounties in terms of lowering of interest rates on agricultural credit, lower prices of fertilisers (through discount by companies) and lower prices of pesticides and weedicides (through reduction of import duties). For the farmers affected by the drought, there is the additional concession of re-scheduling of loans and postponement of recoveries. 50,000 marginal farmers in drought-prone areas have also been promised pumping sets for irrigation on nominal rental/lease charges during 1988-89.

To expect that credit, fertiliser, pesticides and water will discover a way of forming a package and land in the marginal holdings and raise production, is to insult all past knowledge on the subject. Any one showing respect for such knowledge would not be seen scattering away scarce individual inputs in an isolated and fragmentated manner without forging them into a tool of a scientific strategy buttressed from remote sensing data and maps for proper planning of soil, water and forest resources. To reiterate, the name of the game of tackling the stagnant agriculture in dry land farming areas is watershed management where a project approach rather than sporadic forays is the only durable answer.

Regrettably, Tiwari's so called war on drought suffers from a more basic lacuna, that is, the failure to indicate one single step to arrest the process which is increasing the incidence of droughts and floods. Major dams and irrigation projects and other large projects have now come to be recognised as being substantially responsible for ecological degradation which in turn explains the frequency with which droughts and floods are plaguing the country. On separate Iiles, the linance minister has committed over Rs 26,000 crore for Narmada and Tehri. These will scarcely leave a drop of water for the past and future Jaldharas especially in the drought-prone areas.

Taken together these omissions guarantee that Tiwari will miss being mentioned in the despatches as having even slightly diminished the basic weaknesses of Indian agriculture with which is inextricably tied up durable elimination of poverty, unemployment and disparities—regional as well as at the household level.

H

The treatment of the basic weaknesses of the industrial sector in the budget is marked by the same smug style. It highlights success areas while concealing the areas of sickness. Three days before the budget, through the Economic Survey, the finance minister told parliament that "industrial sickness has emerged as a serious problem, affecting the small, medium and large units. It is a major area of concern, duc to its implications for the entire economy and health of the industrial sector, in particular. As at the end of December 1986, the number of sick units in the portfolio of scheduled commercial banks stood at 1,47,740 involving an outstanding bank credit of Rs 4,874 crore'-of which more than Rs 3,500 crore was accounted for by large and medium units, numbering about 2,000 or nearly 50 per cent of the units registered with DGTD.

In the budget documents, however, the finance minister not only does not indicate any prescription or remedial measure for this serious ailment, but chooses not even to mention the problem. What is mentioned is the increase of 'more than 8 per cent in industrial production', and that "the infrastructure has performed well". To Tiwari, this improvement, is "a matter of considerable satisfaction, and bears testimony to the successful implementation of policies initiated by this government". The order of self-deception is astounding. The effectiveness of policies initiated by the government

is seen only in terms of where production increases have been recorded. The sources of industrial sickness would thus appear to lie outside the domain of government policies and not linked with them in any way, while the opposite may in fact be the case.

In the cause of modernisation and upgradation of technologies, massive investments have been made in recent years in several industries which are the favourites of government policy—automobiles and textiles to boot. In each case, we are now told that investments are not being used to full production capacity because of lack of demand. Does it mean that the policies which promoted these industries were not burdened with consideration of demand assessment?

In the circumstances, not only has industrial sickness been steadily rising in its magnitude in the past decade but if Tiwari's budget reflects the government's understanding and response, we will be confronted by a colossal crossion of industrial assets and output by the enveloping sickness.

Public sector is an important constituent of the industrial economy. Here, again, Tiwari has rested content with sloganraising: "Government attaches the highest importance to building a strong and vibrant public sector". But not a word of what is preventing it from doing so and what is proposed to ensure that the sector delivers at least a minimum return to the pool of resources required for development. The fact that all public sector units, except those in the oil sector, put together are incurring a net loss is confined to the survey. The budget which is reeling under high debts and deficits indicates no concrete steps to collect an extra rupee or paise from them.

#### III

The budget's complacency almost borders on cruelty when it comes to prices as they affect the poor. It seeks to conceal through aggregation (WP at 9.6 per cent) the havoc caused to agricultural workers for whom the food and non-food increases ranged from 13 to 23 per cent—a class of workers who have little stuck away for a non-rainy day and who suffered doubly due to poor employment in the drought areas.

Again, the budget this year too, postpones a clear decision on ways to increase employment and income of the underemployed agricultural workers through a more committed scheme such as the Maharashtra Employment Guarantee Scheme. It perpetuates the waste-intensive programmes of RLEGP, NREP, etc. All it does is to promise to 'reorient and redirect' existing programmes 'to serve our social objectives better'; and from what one hears of what is cooking in the Krishi Bhavan pot is that the centre should bypass the state governments and give 25 per cent of the allocations on such programmes directly to panchayats. Constitutional propriety apart, the centre would have to first make sure that panchayats exist outside of West Bengal and Karnataka; and that its cheques do not bounce.

#### II.

In the light of the foregoing it is clear that a drought will persist in the agricultural sector and sickness will continue to eat into the industrial counterpart of the economy. The poverty alleviation programmes will not guarantee either employment or efficient use of resources. The budget 88-89 is not only devoid of fertile ideas but is also knowledge-proof and holds little hope for steering the economy. Tiwari's perorations in fact compel a view that his budget was perhaps not addressed to the economy but to the electorate:

We are proud of our farmers... their hard

work and unflinching determination

Our (industrial) workers have worked hard... the nation is grateful to them

the toiling sections of our society... The landless labourers, handloom workers, rickshaw pullers and drivers, primary school teachers, co-operative milk producers, workers in shops and commercial establishments, artisans, tailors, barbers, masons and carpenters, etc.

The budget day has given them all a life insurance cover. But to whom should these 'weak and vulnerable sections' turn for their day to day living and carnings—is a choice that must await the ballot day.

#### Notice IEL Limited (Regri Office 34 Chowringhee Road Calcutta 700 071) It is hereby notified for the information of the public that IEL Limited proposes to make an application to the Cantral Government in the Department of Company Affairs. New Delhi, under sub-section (2) of Section 22 of the Munopolios and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new unit. Brief particulars of the proposal are as under Name and address of the tEL Limited, 34 Chowringhee Road Calcutta 700 071 applicant Capital structure of the As on 30 9 87 applicant organisation Equity Rs 000 **Authorised Capital** 41,69,00 Subscribed Capital and paid up Capital 40.87.06 Management structure of the The Company is managed by a applicent organisation indicating the names of the Directors, including Managing/ Board of Directors with a Managing Director and a Whole-time Director Whole-time Directors and Manager, if eny Names of Directors Mr J Sengupta (Chairman) Mr P E G. Daubeney (Managing Director) Mr V K Bahree (Whole time Director) 6 Mr A V Gokak 7 Mr A M M Arunachalam Mr K D Elmy Mr S.K Srivastave 9 Dr K U Meda Indicate whether the oroposal New Unit retates to the establishmen of a new underteking or a new unit/division Location of the new Thene, Meharashtra underteking/unit/division Capital structure of the Nut applicable proposed underteking In case the proposat Synthetic Resin i) Names of goods/ relates to the production storage, supply distribution, merketing or for Reprographics ii) Proposed licensed 250 tonnes per ennum control of any goods/ capacity articles, indicate Rs 1438 takhs (at w) Estimated i) Names of goods/ ennual turnover articles Proposed ticensed capacity iii) Estimated ennual turnover In case the proposal Not applicable relates to the provision of any servicel, state the volume of activity in terms value, income, turnover, Cost of the project Rs. 112 lakhs (estimated) The proposed investment will be financed Scheme of finance. indicating the amounts to be raised from each by Internat generation SOUTCE of funds Any person interested in the metter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of the Notice, infimating his views on the proposal nd indicating the nature of his interest therein for IEL Limited Dated this 30th day of March 1988 Signed: R N. Sarkar Secretary and Constituted Attorney IEL 3 172

1

#### The Significance of Robert M Solow

Sukumar Muralidharan

ROBERT M SOLOW's place in the Nobel hall of fame is richly merited. We have heard, for instance, of his services in dulling public sensitivity to the ecological holocaust that planet earth is hurtling towards, under the impetus of today's military industrialism. At the same time, we are told, he has also had a role in strengthening the ideological hegemony of the 'ruling class', by engendering a limitless vision of growth possibilities in the popular understanding. However, neither of these characterisations does justice to the full scope of Solow's contribution to contemporary economic thought.

If the student of economics is today · hemmed in by a thicket of counter-intuitive concepts like the production function and the utility function; if at times the most perceptive remark he can make about the real world is that everything is for the better in the best of worlds; and if at the same time he can rest contented in the delusion of 'economics as an exact science', then a large share of the credit must go to the two gurus from Cambridge, Massachusetts-Paul A Samuelson and Robert M Solow. If discordant voices have on occasion been raised within the numbing consensus of neoclassical economics, then these two have been the foremost in restoring harmony. Signal services of this magnitude cannot for long go unrewarded. Ever since Samuelson won the second Nobel award in economics, way back in 1970, it has been widely accepted that it was just a matter of time before his junior colleague Solow was similarly honoured.

The Nobel citation mentions Solow's contribution to the study of growth, and his treatment of the role of technological change, as the decisive criteria behind the award. A consideration of the first of these, and the context in which it was made, would be adequate to highlight Solow's significance in modern economic thought.

Much of modern growth economics stems from Roy Harrod's seminal paper of 1939.3 The questions posed by Harrod provided the context for Solow's early theorising. In its barest algebraic form, Harrod's model may be taken to signify that, given its aggregate propensity to generate savings, and its technological endowments, there would be an unique rate of growth that an economy would be capable of sustaining. In this form, the model has provided the theoretical underpinning for a voluminous body of literature on planning for growth. Considering the various rigiditles of the model, such as its assumptions of fixed technical coefficients and unchanging price ratios, this is what it was least equipped to do.

Harrod's primary concern, rather, lay in demonstrating the extreme instability of this path of growth. This he did by introducing an investment function of the 'accelerator' type, which determines the level of investment undertaken in a period of time, given investors' expectations of the future. The investment undertaken then translates itself into a certain level of effective demand, through the 'multiplier' relation. The Harrod model then proceeds from the two fundamental questions: (a) when will investors' expectations be realised? and (b) what will happen if they are not realised?

Harrod's instability conditions have been rather obliquely expressed, and hence have been subject to conflicting interpretations. The essential features of his presentation may, however, be summed up as follows: C is the investment required for a unit increment of output, given the state of technology, the investment climate, the rate of interest, and other such factors. C is the investment actually undertaken for a unit increment of output. If s is the savings rate expressed as a fraction of output, then the growth rate of output possible, or warranted, is

 $G_w = s/C$ , ... (i) whereas the growth rate actually achieved, is G = s/C ... (ii)

Proposition (ii) is a truism, since all additions to capital stock in a period of time are by definition, equal to savings, i.e, savings is necessarily equal to ex post investment, or C<sub>p</sub>. However, Harrod is not quite convinced that C is the corresponding ex ante quantity: "C is rather, that addition to capital goods in any period, which producers regard as ideally suited to the output which they are undertaking in that period".<sup>5</sup>

Any divergence of C<sub>p</sub> from C would hence cause a departure of the actual rate of growth from the warranted. Another way in which G could differ from G<sub>w</sub> would be in ex post savings diverging from the ex ante figure. Harrod does not follow up the latter point systematically, though he does actual it as a distinct possibility. If so, he argues, its import is to be construed as the obverse of the case of the corresponding investment quanta differing from each other.

Now, if an excess of G over G ls occasioned by C being below C, then producers would find investments below planned levels yielding output growth rates above planned levels. Effective demand would manifest itself at a higher than anticipated level, investment goods would be in relative shortage, and inventories would be depleted below planned levels. Producers would interpret this as an unequivocal signal for cut-

ung back on investment in the succeeding period. This would cause a further departure of G-over G\_.

In the other instance of G being below  $G_{\rm w}$  on account of an excess of  $C_{\rm p}$  over C, the market signals to the producers would again be fairly unambiguous: despite investments being above planned levels, output growth rate (and by implication, the rate of increase of effective demand), is below expectations. Investment quanta in the succeeding period would hence need to be stepped up.

Thus, whichever way there is a deviation of the actual from the warranted rate of growth, it would tend to be cumulative. Given the anarchy of investment and savings decisions in a capitalist economy, the warranted rate of growth would be achieved only by accident. The market, far from being the hidden equilibrator maintaining stability in economic allocation processes, could actually give a perverse signal to the investor. Hence, the significance of Harrod's notion of 'knife-edge' instability.

The short-period framework that Harrod uses, with its various rigidities, is not really equipped to deal with long-run capital accumulation processes. It is perhaps on account of this that Harrod's final conclusions acquire an air of sharp paradox—the situation of infinite regress that it picturises quite obviously runs counter to empirical observations on the cyclical nature of accumulation processes.

But the essence of Harrod's methodological innovation was the introduction of uncertainty into the system.6 The overvhelming tendency of the time was to use the term 'dynamic' to refer to studies having "a cross-reference to two points of time".7 Harrod observed that the static method would not suffice when any one magnitude in the system was increasing at either a constant or varying rate: "The static theorist may hope to reduce this supposed steady increase to a succession of steps up, each having the same effect. But ... the effect on the moving equilibrium of advance may often be in the opposite direction to the effect on the static equilibrium produced by each of the steps considered singly".8 This discrepancy between the actual development and that predicted by static theory is, in Harrod's opinion, due to uncertainties with regard to future trends. Indeed, Harrod went so far as to say that the term 'dynamic' should be used only with reference to "those propositions in which a rate of growth appears as an unknown variable"."

When an attack on the instability condition was launched by Solow, he had, not surprisingly, to pretend to not recognise this very relevant aspect of Harrod's endeavours. Solow argued, quite simply, that the alleged instability of Harrod's growth path was on account of its assumption of fixed capital-

output ratios. He argued that greater stability could be imparted to the model by resurrecting the traditional assumption of flexibility in technical methods in the face of factor price changes. If the assumption of fixed factor proportions "is abandoned", argued Solow, then "the knife-edge notion of unstable balance seems to go with it. Indeed, it is hardly surprising", he continued, "that such a gross rigidity in one part of the system should entail lack of flexibility in another" 10

In presenting his model of a stable growth path, Solow made the following critical assumptions: (a) the fraction of output saved is a constant s, so that the saving out of total output Y at any time = sY(t); and (b) net investment is then just the rate of increase of capital stock, dK/dt, or K. Hence, the following identity applies at all points of time: K = sY(t).

It does not take very much perspicacity to see that this effectively amounts to introducing perfect certainty into the system. After all of Harrod's efforts to incorporate investors' expectations as an analytical category into the study of economic growth processes, Solow succeeds in this rather off-hand manner, in banishing it from the terrain of discourse, and shifting the focus of attention to the alleged inadequacies of his assumption of fixed technical coefficients.

However, to come back to Solow's argument: he next postulates a production function of the constant returns to scale type, Y = F(K, L), from which it follows that K = sF(K, L). (1) Next, an exogenous growth of population at a constant relative rate 'n' is postulated. In the absence of technological change, 'n' would be an equilibrium rate of growth for the economy. Thus,

L(t) = L<sub>0</sub>e<sup>nt</sup> ... (2)
Relation (1) gives the total employment at specified levels of production, while relation (2) gives the supply of labour at any time, By inserting (2) into (1), Solow hopes to obtain the time path of capital accumulation that must be maintained if all available labour is to be employed.

Thus, multiplying and dividing the right hand side of (1) by L<sub>0</sub>e<sup>nt</sup> yields:

$$K = sL_0e^{nt} F(K/L_0e^{nt}, 1)$$
  
=  $sL_0e^{nt} F(r, 1), \dots (3)$   
where r is the capital/labour ratio at any point of time.

As algebraic manipulation goes, all this might seem rather innocuous, with an inner logic that could not be faulted. But the moment one seeks to relate this sequence of steps to the workings of the real world, one runs right into the conceptual bramble of neo-classicism, from which one could extricate oneself only by suspending the criteria of verisimilitude that normally apply to scientific concepts.

Consider, for instance, what the logical implications of working equation (2) into (1) are. On the one hand, we have a production function, which relates output quanta to inputs of capital and labour, the so-called 'fac-

tors of production'. This is no more than a static, taxonomic scheme-a menu of technological options at best. It tells us very little about the processes of adjustment in the production system, or the transition between techniques, since it is independent of the time element. On the other hand, we have an equation that is concerned with the supply of labour, which is by its very nature a predictive relation, to which the element of time belongs as an integral part. Solow conflates the two in a wondrous feat of legerdemain, seeking to invest his production function with an element of temporal. validity. Little docs he care that the logical construct of the production provides little room for the element of time.

As Krishna Bharadwaj has observed, potential change is a requisite for the neoclassical theory of production, which seeks to explain a "single observed situation in terms of potential changes ... as brought about by the balancing of marginal quantities operating through the principle of substitution. In order to be consistent with these explanations, the changes have to be in a direction and of the type postulated by theory."11 When it comes to actual changes in the context of 'lived-in' and historical time, however, the nco-classical theory of production falters and collapses. Reality does not provide any instances of these 'marginal' inputs of capital of labour, while other things remain the same. Nor does the concept of 'constant returns' have any semblance of actuality. It should hence occasion no surprise that the neo-classicals have not stopped short of all manner of subterfuge to divert attention from these issues. 12 It is a measure of their success that Solow could manage, without the slightest compunction, to conflate a predictive equation giving the time-stream of population levels with a static, taxonomic relation.

Once he has derived relation (3) by conjoining the rate of growth of population to his production function, all that Solow has to do is identify the point of full-employment growth, and postulate a system of price signals by which any departure. From this point would be self-correcting. And all of neo-classicism rose as one to applaud him on the feat of vanquishing the 'knife-edge' demon, and testoring the market to its hallowed status as the fair and equitable guarantor of economic efficiency.

Methodologically, Solow's model represents retrogression from Harrod's position, not just in the absence of an investment function related to future expectations, but also in its assumption of perfect flexibility of factor prices. As Sen has pointed out, this has meant turning the clock back on one of the more imported propositions of the Keynesian revolution, on the downward stickiness of factor prices in specific conditions. But then, whenever mainstream economics has produced some insights into the workings of the real world, neoclassicism has managed to reconstitute itself.

through these patently transparent resorts to mathematical formalism, which nevertheless manage to convey the illusion of economics as an 'exact science'. And the final irony is that Amartya Sen, after perceptively listing some of the most glaring lacunae of the neoclassical theory of growth, should conclude his section extolling Solow for adapting the categories of static analysis to the description of economic dynamics. Whether the remark was intended in irony is not quite clear. But then, in the scale of values typified by the Nobel awards in economics, the static analysis of dynamic processes may in all honesty, be regarded a positive virtue.

#### Notes

- I Narindar Singh, 'Robert Solow's Growth Hickonomics', Economic and Political Weekly, Vol XXII, No 45, November 7, 1987, pp 1889-90.
- 2 Vinod Vyasulu, 'Depression and Optimism', EPW, Vol XXIII, No 5, January 30, 1988, p 220.
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- 6 Jean Robinson has forcefully asserted that this was a critical element of the Keynesian revolution too. The main point of Keynes' General Theory, we are told, "was to break out of the cocoon of equilibrium and consider the nature of life lived in time—the difference between yesterday and tomorrow. Here and now, the past is irrevocable and the future is unknown". (See Joan Robinson, 'The Second Crisis of Economic Theory', in Fels and Siegfried, (ed), Recent Advances in Economics, American Economic Association, New York, 1974, p 32.
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# SPECIAL STATISTICS

# Finances of Government of India

TABLE 1: BUDGETARY POSITION

											(Ks crore)
	1988-89 Budget	1987-88 Revised	1987-88 Budget	1986-87 Actuals	1985-86 Actuals	1984-85 Actuals	1983-84 Acturals	1982-83 Actuals	1981-82 Actuals	1980-81 Actuals	1979-80 Actuals
1 Revenue Account											
Receipts	41620	37567	35854	32462	27435	22970	19366	17036	14631	11937	10571
Expenditure	52689	46619	43430	40674	33484	27668	22231	18742	15408	14410	11916
Deficit	-11069	-9052	- 7576	-8212	- 6049	- 4698	- 2865	-1706	TTT-	-2473	-1345
II Capital Account											
Receipts	23869	22514	21078	18965	17247	14964	13273	10995	8360	7642	4839
Expenditure	2092:	19542	19512	19014	16135	14010	11824	10945	8975	7646	5871
Deficit	+2948	+ 2972	+1566	- 49	+1112	+954	+1449	+ 50	-615	4	-1032
III Total											
Receipts	65489	18009	56932	51427	44682	37933	32639	28032	22992	19579	15410
Expenditure	73610	19199	62942	29688	49619	41678	34055	29687	24383	22056	17787
Overall Deficit*	-8121	-6080	-6010	-8261	-4937	-3745	-1416	-1655	-1391	- 2477	-2377
Total Expenditure as per cent											•
of GDP at current prices						19.4	17.5	18.0	16.5	17.3	16.5

Note: \* Excludes Rs 1743 crore in 1982-83, Rs 400 crore in 1983-84 and Rs 1628 crore in 1985-86 of loans granted to State Governments to clear their overdrafts with the Reserve Bank.

	1988-89 Budget	1987-88 Revised	1987-88 Budget	1986-87 Actuals	1985-86 Actuals	1984-85 Actuals	1983-84 Actuals	1982-83 Actuals	1981-82 Actuals	1980-81 Actuals	1979-80 Actuals
I Revenue Receipts	41620	37567	35854	32462	27435	22970	19366	17036	14631	11937	10571
(a) Gross tax revenue (1+2) (1) Taxes on income,	. 41938	37935	34703	32794	28671	23428	20687	17657	15816	13149	12013
property and capital											
transactions of which	7883	7159	6438	6235	5562	4626	4320	3873	3552	2907	2880
Corporation tax	4050	3650	3452	3160	2865	2556	2493	2185	1970	1377	1392
Taxes and income other than corporation											
(a)	3650	3350	2845	2878	2509	1928	1699	1570	1476	1440	1340
Wealth tax	120	120	120	174	153	107	98	90	78	67	64
(2) Taxes on commodities and services of which	34055	30776	28265	26559	23109	18802	16367	13784	12264	10242	9133
Custom duties	15320	13500	t2000	11475	9526	7041	5583	5119	4300	3409	2924
Excise duties	17933	16580	15624	14470	12956	11151	10222	8059	7421	6500	6011
(b) States' share of tax	10634	9598	9014	8475	7491	5777	5246	4640	4274	.3791	3468
revenue (A) Centre's net tax	10034	7370	3014	8413	/491	3111	3240	4040	4214	.3/91	3400
revenue (a-b)	31304	28337	25689	24319	21180	17651	15441	13017	11542	9358	8545
(B) Non tax revenue	10316	9230	10165	8143	6255	5319	3925	4019	3089	2579	2026
(1) Interest receipts	7188	6084	6262	5339	4586	3963	2668	2852	2215	1795	1369
(2) Dividends and profits	572	554	520	507	515	407	451	419	322	292	290
(3) Other non-lax revenue	2556	2592	3383	2297	1154	949	806	748	552	492	367
II Capital Receipts (A+B+C+D+E+F+G)	23869	22514	21078	18965	17247	14964	13273	10995	8360	7642	4839
(A) Market borrowings	23007	22317	21076	10703	1/27/	14704	13273	10773	8300	7174	7037
(met) (a-b)	7000	7000	6300	5531	4884	4096	4039	3771	2913	2679	2001
(a) Gross	7475	7821	712t	6569	5543	4584	4382	4137	3198	2949	2296
(b) Repayments (B) External borrowings	475	821	821	1038	659	488	343	366	285	270	295
(net) (a-b)	3734	3185	3200	. 2455	1999	1922	1663	1656	1357	1717	923
(a) Gross	5118	4460	4335	3476	2629	2477	2217	2190	1843	2164	1363
(b) Repayments	1384	1275	1135	1021	630	555	554	534	486	447	440
(C) Recovery of loans (net) (D) Small savings (Centre's	4280	4384	4053	3498	2751	2750	2867	2730	1583	2096	1085
share) (a-b)	1150	1000	2200	476	1389	1716	1009	619	517	409	800
(a) Total net collections	4600	4200	5400	3276	4292	3651	2408	1723	1399	1121	1425
(b) Loans to state	3450	3200	3200	2800	2903	1935	1399	1104	882	712	625
(E) Net provident fund	1000	900	635	902	495	429	355	525 838	<b>298</b> 770	274 603	258 460
(F) Special deposits (G) Other items of capital	4325	3875	2820	3688	1199	1415	1021				
receipts (net)	2380	2170	1870	2315	4530	2635	2319	856	923	-135	-688
II Total Receipts (I+II)	65489	60081	56932	51427	44682	37933	32639	28032	22992	19579	15410
IV Central Government's Debt (a+b)	39944	122038	121150	106611	89192	75174	65383	60621	47981	42162	34363
(a) Internal debt	114404	99520	98151	86313	71039	58537	50263	46939	35653	30864	24399
(b) External debt	25540	22518	22999	79702	18153	16637	15120	13682	12328	11298	9964
Ratios (percentages)											
(1) Centre's tax revenue to											
total revenue (2) Taxes on income, property	75.2	75.4	71.6	74.9	77.2	76.8	79.7	76.4	78.9	78.4	80.8
and capital to gross lax	100		10 4	10.0	19.4	19.7	20.9	21.9	22.5	22.1	24.0
(3) Taxes on Income, property and capital to GDP at	18.8	18.9	18.6	19.0	19.4	19.7	20.9	21.9	22.3	22.1	24.0
market prices					2.3	2.2	2.2	2.4	2.4	2.3	2.7
(4) Taxes on commodities and services to GDP at											
market prices					9.5	8.8	8.4	8.4	8.3	8.0	8.5
(5) Central government's debt					. 36.6	35.1	33.7	36.8	32.6	33.1	32.0
to GDP at market prices, (i) External debt					7.5	33.1 7.8	7.8	8.3	8.4	8.9	9.3
(ii) Internal debt					29.2	27.3	25.9	28.5	24.2	24.2	22:7
/									_ ''-		

										(1	s cron
	1988-89 Budget	1987-88 Revised	1987-88 Budget	1986-87 Actuals	1985-86 Actuals	1984-85 Actuals	1983-84 Actuals		1981-82 Actuals	1980-81 Actuals	1979-8 Actua
Non-Plan Expenditure	47896	41236	39266	36747	29705	25063	20017	17774	14133	13062	1059
(A) Interest payments	14100	11450	10650	9236	7503	5974	4796	3938	3195	2604	221
(B) Defence	13000	12000	12512	1047 <b>7</b>	7987	6661	5831	5021	4329	3604	316
(C) Subsidies	7316	6279	5605	5576	4929	4208	2902	2262	1941	2028	154
(1) Food	2300	2200	2000	2000	1650	1101	835	711	700	650	60
(2) Fertilisers	3000	2210	1910	1897	2050	1927	1041	603	381	505	52
(3) Export promotion	1091	960	870	788	605	518	463	477	477	399	36
(4) Other subsidies	925	909	825	891	624	662	563	471	383	474	
(D) General services	5213	4347	4121	3497	2894	2405	1999	1680	1278	2115	107
of which				- 1							_
Police	1115	993	975	821	631	528	482	363	322	274	2:
(E) Social services	1250	1142	1029	1122	818	623	503	412	267	260	4
(1) Education, sports	400	400	2.45					***			:
youth welfare etc	438	408	347	386	301	262	224	209	166	144	1
(2) Health and family welfare		153	138	140	101	123	87	71	62	90	
(3) Labour and employment	230	159	153	227	165	155	89	76	70	59	
(4) Information and	186	160	122	122	100	24	27	24	10	10	
broadcasting	156	152	133	127	106	24	27 76	24	30	19	
(5) Other social services	263	270	258	242	145	59		32	-61	- 52	
(F) Economic services	1985	1888	1510	1435	963	1406	917	1010	988	5 3 9	5
(1) Agriculture and allied	202	260	260	224	164	246	170	21	65	57	1
services	292	258	258	234	154	240	170	21	60	37	
(2) Energy, industry	630	677	210	404	120	626	315	177	247	104	1
and minerals	630	0//	318	494	120	620	313	1//	247	104	
(3) Transport and	22.2	104	105	112	124	155	119	202	136	122	1
communications	223	194	185	113	124	133	119	202	130	122	,
(4) Science, technology	422	177	340	242	202	360	221	197	171	148	
and environment	423	377	360	343	302	258	221	79	85	64	
(5) Postal deficit	132	132	130	215	162	118 3	67 25	334	283	44	
(6) Other economic services	285	250	259	36	101	3	23	334	203	44	
(G) Expenditure of union	s 643	670	457	606	£10	360	303	253	234	198	1
territories without legislature	5 043	57 <b>9</b>	45 /	606	518	300	303	233	2,54	130	
(H) Grants to states and	3164	1033	1690	1587	1807	994	938	824	594	626	(
union territories	2164	1822	1689			89	90	78	68		•
(1) Other grants	180	168	146	114	81	69	90	16	Un.	31	
(J) Loans and advances to	40	72	99	140	569	468	176	87	50	161	
states and union territories	46	72		158 2528	913	1025	1251	1964	816		3
(K) Other loans	1231	939	921			850	311		373		•
(L) Non-plan capital expenditure		550	527	411	723 19914	16615	14038	245 11913	10250		7
Plan Outlay	25714	24925	23676	22941	19914	10013	14036	11713	10230	0774	,
(A) Budget support for	16000	15044	14923	14875	12870	11507	9275	7456	6683	5674	4
central plan					11127	9744	7831	6424	5655		3.
(1) Economic services	12750	12211	11929	12560	11127	7/44	7631	0424	30.55	4/13	٠,
(a) Agriculture and	1051	1122	360	1370	1103	1218	1055	933	805	617	
allied services		1133 1744	1651		1033	721	356	244			•
(b) Rural development	1762 s 217	174	167	107	64	95	57	54			
(c) Irrigation and mineral (d) Industry and mineral		3185	3642		3143	2966	3144				1.
	3720 3720	3146	3296		3162	2305	1209	1171	1236		
(e) Energy	2388	2141	2025		1615	1403	1095	1081	1077		(
(f) Transport	197	-14	32		543	533	464	277	301		
(g) Communications	177	14	32	155	545	233	707	2.,	30.		
(h) Science, technology	750	579	616	415	335	384	266	94	165	119	
and environment	/30	3/9	010	413	333	304	200	74	103	117	
(i) General economic services	145	123	140	169	129	119	175	131	100	27	
		2760									
(2) Social services	3146	2/00	470/	2200	1007	1/10	1744	1012	1003	740	
(a) Education, arts	933	821	926	395	187	252	164	192	79	84	
and culture (b) Health and family	733	941	740	277	10/	232	104	174	17	04	
	030	764	790	709	687	596	463	211	310	229	
welfare	828	764	/90	703	067	250	403	211	310	229	
(c) Water supply, sanita-											
tation, housing and	607	446	457	220	396	444	387	117	187	149	
urban development	507	440	437	220	390	777	307	11.7	107	.47	
(d) Information and	226	206	221	233	107	101	65	33	32	15	
broadcasting	_ 235	200	221	233	107	101	0,5	23	34		
(e) Welfare of SC/ST and		235	235	221	180	206	145	149	153	58	
other backward classe	303	233	233	221	100	200	143	147	100	0	
(f) Labour and			10	15	11	9	7	298	195	350	
labour welfare	23	18	19	15	11	y	,	270	173	230	•
(g) Social welfare and		-/-	200	175	100	97	60	0	53	55	
nutrition	314	269	_					12			
(h) Others	1	_1	l						_		
(3) General services	104	73	, 87	55	54	53	20	20	19	1,9	
(B) Central assistance for state				2100	/3/5	4559	4303	4043	3226	3066	2
and union territory plans	8945										
Total Expenditure	73610	66161	62942	59688	49619	41678	34055	29687	24383	22056	. 17
Defence expenditure as per								14.0	17.8	16.1	•
cent of total expenditure	17.7	18.1	19. <b>9</b>	17.6	16.1	16.0	17.1	16.9	17.8	10.1	1
Plan outlay as per cent of						** *	41 4	40.4	42.0	40.8	
total expenditure	34.9	37.7	37.6	38.4	40.1	39.9	41.2	40.1	42.0	₩.8	4

									,	fice cools
	1988-89 Budget	1987-88 Revised	1987-88 Budget	1986-87 Actuals	1985-86 Actuals	1984-85 · Actuals	1983-84 Actuals	1982-83 Actuals	1981-82 Actuals	·1980-81 Actuals
Gross Customs Duties	15790	13921	13149	11771	9785	7235	5760	5239	4394	3554
Refunds and drawbacks	470	421	282	300	267	241	191	194	192	174
Net Customs Duties	15320	13500	12867	11471	9518	6994	5569	5045	4202	3380
(1) Import duties	15476	13683	12905	11507	9572	7071	5617	5119	4291	3396
of which	(15013)	(13268)	(12630)	(11209)	(9309)	(6834)	(5428)	(4930)	(4105)	(3230)
Fruits	60	57	75	67	48	45	51	49	38	32
Animal or vegetable fats and	GO	٠,	,,,	٠,	40	75		42	50	J.
oils, etc	620	570	310	271	92	74	49	35	58	46
Mineral substances	91	83	91	76	58	59	86	60	21	25
Petroleum oils and oils obtained		0.5				• •		• •		
from bituminous minerals, crude	1908	1944	1750	857	755	138	25	17	16	16
Other mineral fuels, oils, waxes,		85	72	56	37	66	25	24	26	49
Chemicals and pharmaceuticals	1114	988	1070	933	1013	790	541	428	397	294
Dyes, colours, paints and varnish		100	110	99	59	53	48	33	25	23
Plastic and articles thereof	800	700	587	597	475	306	231	226	178	142
Manmade filaments and fibres	210	210	250	276	291	179	246	391	119	115
Iron and steel, etc	1015	886	785	844	1012	784	544	574	608	400
Copper	365	405	300	238	315	194	205	169	169	150
Machinery, machine tools, electric	cal									
machinery	2305	1945	1731	2063	2134	2062	1729	1498	1095	790
Motor vehicles and parts thereof	260	230	253	253	190	· 141	109	104	80	53
Instruments (optical, surgical, et	c) 225	170	228	212	171	133	109	107	85	59
Project imports	1800	1530	1695	1306		_	_			
(2) Export duties	42	42	79	83	70	70	70	57	51	111
of which	(40)	(40)	(73)	(82)	(68)	(67)	(69)	(56)	(49)	(107)
Coffee	18	21	60	56	41	37	36	23	7	27
Black pepper	14	12	12	15	ii				_	
(3) Cesses on exports	22	21	16	17	15	14	13	13	12	10
of which	(22)	(21)	(15)	(17)	(15)	(14)	(12)	(11)	(12)	(10)
Coffee	1	1	1	1	1	,	1	1	1	1
Tobacco (manufactured)	1	;	1	1	1	1	i	i	2	1
Marine products	4	4	4	À	3	1	2	3	5	i
Cardainom	•	-	7	7	1	1			1	i
Iron ore	2	2	1	2	2	2	1	- 1	i	i
(4) Other receipts	250	175	150	164	127	80	60	51	39	37
(4) Other receipts	(245)	(171)	(149)	(163)	(126)	(78)	(60)	(48)	(36)	(33)

Notes: (1) Figures in brackets are net of refunds and drawbacks. (2) Due to change in budget heads from 1986-87 the figures for years prior to 1985-86 individual commodities are not strictly comparable. (3) Data on individual commodities for year 1985-86 are revised budget figures and not actuals. (4) Due to rounding off totals do not tally.

TABLE 5: REVENUE FROM UNION EXCISE DUTIES

(Rs crore)

									(1.0 0.0.0)		
	1988-89 Budget	1987-88 Revised	1987-88 Budget	1986-87 Actuals	1985-86 Actuals	1984-85 Actuals	1983-84 Actuals	1982-83 Actuals	1981-82 Actuals	1980-81 Actuals	
Gross Union Excise Duties											
(excluding electricity)	18133	16680	16926	14544	13070	10945	10116	7981	7411	6447	
Refunds and drawbacks	200	100	100	56	63	81	89	132	113	108	
Net Union Excise Duties	17933	16580	16826	14489	13007	10864	10027	7849	7298	6339	
(A) Basic excise duties	14297	13130	13355	12016	10881	8930	8259	7094	6662	5880	
of which	(14097)	(13030)	(13255)	(11960)	(10818)	(8848)	(8170)	(6962)	(6548)	(5772)	
Tea, etc	85	80	85	73	81	62	54	54	64	63	
Vegitable oils and fats, etc	100	93	79	68	140	66	61	59	53	42	
	180	174	154	140	127	148	161	168	181	155	
Cane or beat sugar, etc Molasses	21	13	154	9	8	9	8	100	7	133	
Tobacco manufactures	1268	1200	1256	1013	990	783	769	582	625	585	
Cement all sorts	950	887	887	826	746	650	560	336	170	137	
Kerosene	265	265	250	233	204	164	176	168	150	124	
Motor spirit	1000	930	900	814	755	678	527	559	518	492	
R D oil	655	650	645	596	575	425	423	380	359	280	
Cosmetics, toilet soap, etc	270	255	229	194	155	125	97	88	76	72	
Plastic and articles thereof	300	280	229 296	254	133	123	_	-	<del>/0</del>		
Tyres and tubes, etc	560	545	580	5 <b>2</b> 0	480	410	400	403	360	288	
Cotton and cotton yarn	136	132	163	140	132	109	109	83	91	99	
Iron and steel and articles		578	603	537	481	377	366	381	392	307	
	662	190								112	
Aluminium and articles	260		163	157	161	146	115	112 57	142		
Refrigerators and air conditioners		122	112	108	78	49	53		62	59	
Motor cars, trailers, etc	401	366	391	315	440	383	322	306	315	227	
(B) Additional duties on textiles and	340	217	200		140	160	146	0.3	0.4		
textile articles	246	217	206	185	160	159	146	83	94	67	
(C) Additional duties in lieu of sales tax	k 1366	1230	1307	1111	928	811	680	496	485	395	
of which	205	200	150			• • •		•••	11.4		
Sugar, etc	207	200	179	163	148	167	135	116	114	93	
Tobacco products	605	573	601	481	469	391	298	214	209	168	
Textile products	549	405	521	460	329	253	247	166	162	134	
(D) Cesses on commodities	2224	2102	2058	1232	1101	1045	1031	307	170	105	
of which							000				
Crude	1912	1811	1800	980	873	844	839	196	1[]	58	
Coal and coke	62	62	63	63	66	58	56	35	31·	22	

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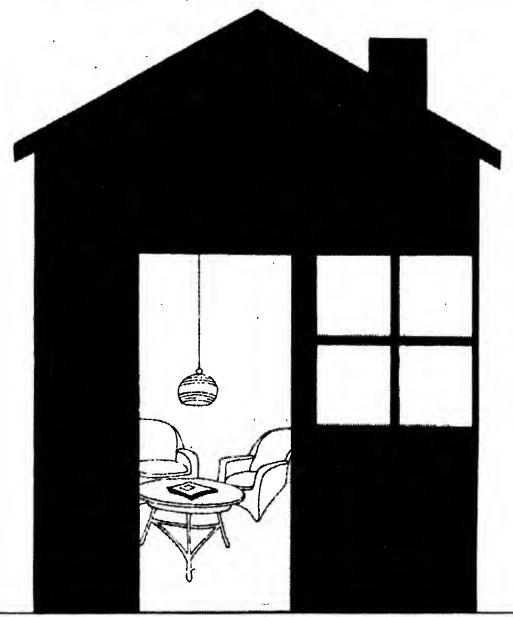
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#### **ECONOMIC AND POLITICAL WEEKLY**

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## From Cowdung Capitalism to Industrial Entrepreneurship

The green revolution has spawned a new breed of capitalists operating in an intermediate zone of agriculture and industry. They are eager to venture into industrial capitalism, but the entry point in industry is uninviting and future prospects dim. The impact of the new economic policy on the newly-emerging farmer capitalists is likely to be severe: they are threatened, in a shrinking market, by big capitalists and multinationals; on the other hand, they are confronted by the rising demands of workers, without enjoying the benefit of super-profits.

#### Slum Rehabilitation

A government-sponsored evaluation report has claimed that a large squatter rehabilitation project being executed by the Pune municipal corporation represents a new approach which provides an opportunity to low-income families to shift voluntarily from a large squatter area to a planned site. A critical examination of the project and the official evaluation report, however, shows that the so-called 'Bibwewadi Approach' is not anything new; its logic is very much based on market forces. By making its brief narrow, by avoiding inconvenient questions and by selective use of information, the evaluation report has in fact sought to provide justification for a project which is anti-people.

#### Left under Pressure

The acute intra-Left Front tensions generated by the panchayat elections in West Bengal have not entirely subsided. On the contrary, the CPI which earlier had seemed to be more or less satisfied with the CPI(M)'s conduct has recently come out with serious allegations about the latter's breach of faith in about 1,000 panchayat constituencies.

Whether the CPI(M) will be able to overcome the setback of its election defeat in Tripura will depend on how soon the party manages to reorganise its cadres and launch people's movements. In this regard the present indicators are not very heartening.

The Press Council of India has found *The Telegraph*, Calcutta, guilty of conducting "a systematic campaign of vilification" against a distinguished economist and member of the CPI(M)'s central committee.

#### **Barriers** to Collective Action

The dismal frequency of degraded grazing commons, despoiled forests, over-exploited groundwater, depleted fisheries and tail-end problems in irrigation systems show that local collective action by no means always works. What are the general conditions in which locally-based collective action is more or less likely?

#### Vegetable Oil Gap

Even on the most optimistic reckoning, oilseeds production this season is unlikely to exceed 110 lakh tonnes which is as much as 47 lakh tonnes less than the target set for the year and 20 lakh tonnes lower than the previous record output in 1984-85.

#### Meerut 1987

There has always been a surfeit of suffering in this country. Poverty, deprivation and slow death have long since ceased to affect us. But it is perhaps only recently that we have reached a stage where even large scale and violent death affects us only momentarily. The truth of this degeneration is brought home with full force when it finds expression in attitudes that contradict even accepted notions of ethnicity and ethnic chauvinism.

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#### Retarded Reform

Discussion on economic reform which began among Polish economists and planners after 1956 ranged from according an entirely free hand to market forces to more restrained proposals for reforming the system of centralised planning. But due to several (largely political) reasons, there has been neither a comprehensive programme nor an effective adoption of reform.

#### Crisis for Whom?

What really does it matter if the Indian state is in the grip of a crisis? The India of the 'arrived' is not. Or so it is believed. And this India enjoys the greedy support of the world's truly 'arrived' powers. 764

#### Drugs for the People

No area of Indian economic policy has been so full of controversy as the drug policy of the government of India—understandably, because this is one sector which vitally affects the health and well being of the people, where multinational firms have been strongly entrenched and have made large profits even as the Indian people have been ill supplied with life-saving drugs.

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### US Offensive against Nicaragua

WE wish to join the rest of the world in condemning the Reagan administration's latest offensive against the democratically elected Sandinista government in Nicaragua.

Since 1979, when the Sandinista government was voted in, there has been a relentless destabilisation campaign by the US on both the cultural and military fronts. From 1980 to 1985, there were some 405 US-aided attacks by the contras across the Nicaraguan border. One must remember that Nicaragua is a small country with a population of only three million.

The progressive government has survived because the young political leadership is patriotic, committed, incorruptible, democratic and dynamic. As a result, ideological awareness is widespread among the people, and there is a high degree of political mobilisation. One comes across injured soldiers, barely 16 or 17 years old, waiting in the hospitals to recover so that they can go to war again.

The latest US offensive comes shortly after the presidents of five central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) signed a peace plan for their region, in August 1987. The peace plan, which was overwhelmingly endorsed by the UN general assembly in October 1987, calls for an end to all outside support for rebel forces in central America. Moreover, the US congress, in the recent past, has been reluctant to sanction military aid packages to the Contras.

Since then the Nicaraguan government has taken a number of initiatives towards peace. These include cease-fire over a region of 1,450 square km till November 7, 1987, release of political prisoners, re-opening of the controversial La Prensa, and an invitation to the Inter-American Human Rights Commission to visit the country and investigate alleged human rights violations.

Against this background, it is hard to believe the US claim that its troops were sent to Honduras at the invitation of the Honduran president, because Nicaraguan troops had marched into Honduran territory. It seems rather more likely that the Reagan administration was bent upon demonstrating that, in what it regards as its 'backyard', there

can be no peace without the US. (Peace with the US is, of course, impossible unless the contras are allowed to rule.)

It is encouraging that the worldwide protests by peace-loving groups have forced the Reagan administration to beat a hasty retreat. But, perhaps one ought not to overlook the fact that the new peace accord begins on All Fools Day.

At this juncture, it is necessary that public opinion be mobilised to express solidarity with the Sandinista government. We hope that the US congress and the US people will succeed in putting a halt to the Reagan administration's belligerence.

JAYA MEHTA, C K RAJU, R P NENE, SULABHA BRAHME, HAIMAVTI BANERJEE, K SIVASWAMY SRIKANTAN, C S GAJARAJAN, SONYA GILL, P SAINATI

### Legitimising Authoritarian Trends

VASANTH KANNABIRAN's 'Uneasy Questions' (February 13), if only because of their importance, have generated an interesting debate. But unfortunately the focus of the original political comment (January 2-9) which provoked her letter has got completely deflected. It is therefore necessary to emphasise some of the points of the comment to restore some balance to the debate. The comment focused on the 'bourgeois press' and 'bourgeois liberals'. In particular, it drew attention to the spate of editorials and centre page articles which appeared in the immediate aftermath of the incident of kidnapping of government officials by a Marxist-Leninist group in East Godavari.

Vasanth Kannabiran's questions are not related to the responses of the bourgeois liberals. For, as she herself points out, her concerns relate to those "countless democratic liberal supporters of revolutionary and democratic movements" and "countless others who from their liberal or left positions are committed to democratic values and support these movements". Not everyone may agree with her obset extion that these sections are 'countless', but I amsure all will agree that in the contemporary Indian scene these two cate-

gories are distinct, i e, bourgeois liberals in the press and democratic liberal supporters of people's movements. The distinction, implicitly recognised by your comment but confused by Vasanth Kannabiran, is important.

The dangerous potential of the kind of discourse conducted by the print media in legitimising the authoritarian trends cannot be underestimated. The expressions chosen to describe the incident and the Marxist-Leninist group responsible for it as well as the prescriptions offered, both of which were referred to in your comment, are themselves a pointer to this kind of discourse. In essence, it seeks to shape an image of reality from the perspective of the state, even while it remains liberal in its intent. In this sense your criticism is valid and is further strengthened by the stories which appeared in news magazines subsequent to your comment. An inability to distinguish between these two categories can be a source of needless obfuscations in a much needed debate.

R VISHWANATH

New Delhi.

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## Defence Ties with US

he visit of the US secretary of defence, Frank Carlucci, earlier this month provided yet another occasion for demonstration of the government of India's news management prowesses. Reports in the newspapers, obviously based on official briefings, on the eve of Carlucci's arrival suggested that the purpose of the visit was to have "a frank exchange of views on Pakistan's nuclear programme and acquisition of sophisticated weapons". Later when Carlucci's meetings with ministers and officials of the government of India were under way, press reports again suggested that the main focus of the talks was the Indian government's effort to make the Reagan administration see reason and scale down the supply of sophisticated arms to Pakistan, especially in view of the projected withdrawal of Soviet troops from Afghanistan. While this subject must no doubt have come up during the US defence secretary's meeting with the Indian prime minister on April 5, it was absurd to suggest, as for example a PTI news report did, that the two rounds of substantive official talks between the Indian and US defence delegations on the previous day had centred on the Indian demand for "deescalation of [US] arms assistance to Pakistan'. Even a cursory glance at the composition of the Indian delegation for the talks should have exposed the vacuity of any such notion. The Indian delegation, led by the defence minister, had included, besides the minister of state for defence and the secretaries of defence and defence production, the three service chiefs and the scientific adviser to the defence ministry. There could not have been the slightest doubt that the subject of the talks was the supply of US arms to India. The significance of Frank Carlucci's visit lay precisely in the fact that it marked a milestone in the progressively closer defence relationship between India under Rajiv Gandhi and the US

It was Carlucci himself who brought this out clearly at his press conference in New Delhi at the end of his visit. He stated categorically that the United States' security relationship with Pakistan was long-standing and durable and in the strategic interests of the US. In other words, there was little scope for heeding Indian pleas for reducing US arms supplies to Pakistan. More important, Carlucci made it quite clear that in any case the purpose of his visit had not been to discuss this subject. He was here to carry forward the "steadily building" co-operation between the US and India in the area of defence tie-ups. As he put it in his prepared statement at the press conference, his discussions with the Indian government had helped both sides to explore ways of mutually beneficial interaction as a result of which "we can increase Indo-US co-operation in a broad range of defence-related fields". With this objective in view he said he had invited the Indian defence minister to visit the US later this year. One newspaper report soon after Carlucci's visit has pointed out that, in addition to the defence projects which have been already under discussion with the US, particularly the development of the light combat aircraft, the government of India has approached the US for assistance in the design and development of an aircraft carrier and that the Northrop Company of the US has offered to set up a plant to manufacture F-5 aircraft as trainers.

Whatever the specific items on the Indian government's shopping list for US arms and arms technologies, there is no gainsaying that there has taken place in the last three years or so a qualitative change in this country's defence relationship with the US. The political fall-out of this is already beginning to be visible. Indian criticism of US policies and actions round the world, including the recent attempt at military blackmail of the Sandinista government in Nicaragua by landing US troops across the border in Honduras, has been virtually inaudible. And US naval ships now come calling at Indian ports quite freely. What has been as conspicuous is the Indian government's effort, as witnessed during the US defence secretary's visit, to play down inside the country the extent and significance of our military ties with the US. It would have everyone believe that the purpose of the increasingly frequent contacts between the military establishments of the two countries, which itself it is proving difficult to keep concealed any longer, is really to prevail upon the US to curb Pakistan's nuclear ambitions or to cut down the supply of advanced US armaments to that country.

It is not difficult to see why the government should be so anxious to keep its growing military links with the US hidden from the people. Faced with domestic political difficulties—as in the early part of last year when a recalcitrant president was threatening to compound the problems created by the Bofors bribery scandal—the government and the ruling party are in frequent need of striking ultra-radical postures to muster popular support and harangues against the US, the CIA, the machinations of allies of the US such as Pakistan and so on are indispensable to this effort. If the fact were to get too widely known that all the while the government has been sucking up to the US for defence supplies on a growing scale, the pretence that it is also simultaneously playing the role of the country's saviour against diabolic schemes of dismemberment devised by the same US will naturally lose credibility. This incidentally is a ploy not infrequently resorted to by politically bankrupt third world leaderships. Even Ferdinand Marcos, when on his last legs, made a desperate attempt to cling to power by projecting the mounting pressure to eject him from the country's presidency as a US conspiracy.

What is incredible but true is that not only have the opposition parties failed to counter the government's stratagem but so very often they have ended up playing ball with it. In the present instance, in their first response in parliament to Carlucci's visit opposition MPs, in particular those belonging to the left parties, directed their ire, as if on a cue from the government, at the US for continuing to arm Pakistan when they should have been closely questioning the government about the nature of the talks it had been having with the US defence secretary. It is curlous and surely not without some political significance how often the opposition parties put themselves on the same side as the government—the very government which they affect to find so venal that their every effort is supposedly directed towards its removal, here and now if possible.



### **PUBLIC SECTOR**

# Grip of Technological Dependency

FROM a nationalist perspective, state investment in a basic and capital goods industry was expected to contribute towards overcoming excessive reliance on foreign capital and technology. The experience of the last 30 or more years since the launching of the Second Plan has however belied these expectations. Far from strengthening the foundations of economic independence and furthering the drive towards economic self-reliance, the state sector has often become the junior partner of the transnational corporations in a system of dependent exploitation.

This proposition can be illustrated with the case of Bharat Heavy Electricals (BHEL). This blue chip, state sector company has been earning profits continuously since the early seventies and is variously regarded as a success story worthy of emulation by other public sector firms. However, BHEL started out by importing the majority of its technological needs and has remained in that condition over time. Japanese heavy electrical manufacturers like Hitachi or Sumitomo also started out by importing a majority of their technological needs. However, imported technology supported local technological development. In the case of BHEL, in contrast, imported technology substituted for local technological development. From 120 MW turbo generating sets based on Czech technology to 210 MW sets based on Soviet technology and then to 500 MW sets based on Siemens technology, covering a span of 25 years or more of BHEL's existence, it is a story of technological dependence. Having never acquired the capability of scaling up equipment each time BHEL had to begin the indigenisation process again from scratch. The 500 MW sets are virtually being assembled from CKD kits imported from Siemens.

Since its incorporation, BHEL has entered into 44 foreign collaborations, 23 of which are ongoing. This indeed underlines the fact that technology is a critical factor of production. It is the knowledge underlying a particular production process whose possession determines the international division of labour.

There is now a clear realisation based on data on foreign collaboration agreements that technology is not intended to be transferred but only to be leased under myriad restrictive clauses. An examination of the contractual arrangements which are typical in the leasing of technology for the manufacture of capital goods would provide some clues to understanding the phenomenon. A longer duration of agreements or an extension of agreements is indicative of a bargaining weakness of the recipient together with a lack of con-

fidence in ultimately taking independent decisions on technological issues. The provision for imparting design and engineering capability and assisting in the setting up of R and D is absent. The leasing of technology is systematically designed to perpetuate a state of technological dependency. Some of the typical restrictive clauses in this genre are the following: (1) Limitations by the suppliers regarding the sources of supply of raw materials, spare parts, intermediate products and capital goods, thus making it possible to charge higher than world market prices. (2) Use of quality controls or standards by the supplier as a means of imposing unwarranted obligations on the technology recipient. (3) Prohibitions or restrictions on the use of the technology after the expiration of the arrangement. (4) Prohibitions or limitations on the export of products manufactured on the basis of the technology supplied including restrictions on export to certain markets. (5) Requiring the acceptance of additional technology not desired by the recipient such as consultancy services, international sub-contracting, turn-key projects, etc. as a condition for obtaining the technology required. (6) Limitation on the R and D policy of the recipient. (7) Limitations upon access to new technological developments and improvements related to the technology supplied. (8) Restrictions upon the recipient in regard to adapting the imported technology to local conditions and innovating on the supplied technology.

The recipient often does not find these restrictive clauses onerous because of the protected nature of the market but the balance of payments effects are critical. The technology supplier appropriates to himself a large part of the market and keeps the recipient in perpetual dependence. The condition of BHEL as a technology recipient approximates the typical case described above. However, BHEL seems to have accepted this condition as natural and is not doing anything to alter this unequal division of labour as long as its private profitability is assured. BHEL invests 2 per cent of its turnover in local R and D but this is not allocated in the critical areas where technology is imported so that this can be a complementary investment in ultimately generating these technologies. By virtue of its collaboration with BHEL, the transnational supplier pre-empts competition and is almost assured of contracts in the Indian market. This role of basically being a junior partner of the transnational corporations is typical of Indian state firms in the capital goods sector.

would perhaps be unfair to attribute. BHEL's failure to acquire a measure of technological dynamism to factors internal to the firm, unmindful of economic and polltical environmental factors. For instance, credit from the World Bank is

said to be an important factor that influenced the decision to adopt 500 MW turbo generating sets. Besides state enterprises are often forced to succumb to strong political lobbying in favour of transnational corporations. The alternative to import-intensive domestic manufacture would perhaps be imports. In fact, the availability of credit from the industrialised countries at rates of interest and maturity periods that constitute veritable export subsidies has often influenced the government to opt for the latter. This is in turn related to the fiscal crisis of the state. Also, BHEL's inability to generate technologies through local R and D cannot be attributed to its R and D policies alone. Self-reliance at the national level is given more lip service. The institutional basis for its germination has been weakened by retrograde policy and practice.

### Prevarication on Harmful Drugs

MORE than fifteen months ago, the Supreme Court ordered the Drug Controller of India (DCI) to hold a public enquiry to determine whether the DCl's earlier decision to ban the highly misused and potentially harmful drug, estrogenprogesterone combination products, should be reconsidered. It gave the DCI six months' time and, in the meanwhile, by its silence on the matter, allowed the potentially harmful drug to continue to be sold. The DCI subsequently asked for a six months' extension on the plea that an enormous amount of data had been obtained in the course of the public inquiry-which it had reluctantly conducted in four cities-and needed to be examined. The second deadline for submitting its conclusions to the Supreme Court is how long past. The DCI, however, appears to be in no great hurry to decide the issue. Nor for that matter does the Supreme Court seem to be concerned about the fact that a drug which two independent bodies of experts, the Indian Council of Medical Research and the Drugs Consultative Committee, had in as early as 1983 recommended to be withdrawn, is still on the market. That the court had not ordered that the drug be withdrawn in the interim is itself somewhat disturbing, because it implies that a drug, to be banned, needs to be proven to be unsafe. This absolves the drug manufacturers of any responsibility, because the onus of proof of its harmful potential lies with the consumers who obviously are ill-equipped to produce such proof.

By allowing an extension of the deadline to the DCI, the Supreme Court could not-have done worse. This has allowed manufacturers to stockpile the drug. Unichem which produces one of the leading brands, EP Forte injections and tablets, has in the last three months produced 37 batches each of two lakh tablets which is 24,00,000 packs. In addition it has produced 26,50,000 ampoules of the EP-Forte injections. What would happen now if the DCI bans the drug? As has been the case before, the industry will no doubt argue that it be allowed to sell existing stock. In other words, the DCl will be persuaded by the industry be allowed to continue marketing a drug which its own expert committees, including the one constituted by the ICMR, have pronounced to be harmful. Unichem has also been distributing product literature about its EP products which categorically denies that the drug is harmful. No mention is made about the fact that it's safety, or for that matter its relevance, is under discussion among experts.

### **PUNJAB**

## Preparing Ground for Emergency

IF we are to believe that the government is unable to check Punjab violence, the only option apparently left for New Delhi now is to seek the aid of a PKF (peace keeping force)—either from the Soviet Rcd Army the US marines.

Surject . Lingh Barnala was made a scapegoat last year, when his ministry was ousted, the ostensible reason given by the centre being that he had been unable to stem terrorist violence. But has presidential role made things less intolerable for the people of Punjab? According to Barnala's recent statement in Bombay, over 1,500 persons had been killed by terrorists in Punjab since presidential rule was clamped last May. At least 300 of them were victims during the month of March this year alone. The unlimited powers enjoyed by the centre are used to oust opposition-ruled state governments, but are rarely employed to bring about a political settlement of old disputes which are allowed to deteriorate into bloody ordeals for the common citizens. One wonders whether there is not a method in what looks like madness. Is the ruling party at the centre really unable to put an end to the violence in Punjab? Or, is it interested in keeping it alive as long as it suits its purpose? Are all the killings in Punjab the handiwork of the Khalistani extremists? Or is there any official connivance—either direct or indirect behind some of the killings? It is not unknown that the intelligence wings in the past had infiltrated extremist movements in other parts of the country. A former police boss of West Bengal is on record as having claimed how his men had worked their way into the Naxalite movement in the early 1970s. Strategic killings by

these officially planted agents provocateurs may help the government to precipitate further authoritarian control by assuming more military powers.

This is not to deny the separate existence of a strong group of Khalistani extremists who are out on a confrontationist course with the centre, or to claim that all the killings in Punjab are stage-managed by New Delhi. But certain disquieting suspicions are cropping up which are fed by the pattern of events that have developed during the last few months. While the centre seeks to impress everyone about its earnest zeal by committing more and more force to Punjab, it at the same time consistently omits to take some essential measures which would have taken the wind out of the Khalistani sails. The repeated demands for the punishment of those guilty of the massacre of Sikhs in 1984 and for the release of all the desenus from Jodhpur jail are being bypassed. The recent mass killings in Punjab (disowned by the Khalistani groups), coming fast on the heels of the 59th amendment to the constitution, look more like a gift offered on a platter to the centre to enable it to clamp emergency on the bedevilled state and cut it out from the rest of the country. The whole affair bears an eerie resemblance to what happened in Tripura some months ago, when a spurt in the terrorist violence of the TNV (known to be in close alliance with the Congress(1)) on the eve of the elections there helped the centre to deploy the army and conduct the elections according to its own convenience.

There are rumbling suspicions among the people in Punjab that there might be a tacit understanding between one group of terrorists on the one hand and the centre on the other. A particular member of the union cabinet is often mentioned in this context. In the murky politics of Punjab in the past also. Congress ministers and leaders were known to have retained their respective musclemen to settle old scores. It is not unlikely therefore that at a time when many such professional musclemen are graduating into the ranks of terrorists, one such group could enjoy the patronage of some ruling politicians. The centre's ambiguity and the suspicions that it breeds make it essential that there be a thorough unofficial investigation into the alleged links between terrorists and politicians, and into the actual motivations of New Delhi itself. The centre can however now pre-empt such an attempt by imposing emergency in Punjab-all the more necessary now than ever before to conceal the unsavoury facts that might be brought to light by such an investigation.

## SRI LANKA The Quagmire

M S S Pandian writes:

THE recent confession of Maj-Gen Sardesh Pande, GOC-in-C of the 1PKF,

that ninety per cent of the people in the Jaffna Peninsula support the Liberation Tigers of Tamil Eelam (LTTE) headed by Velupillai Prabhakaran, proves beyond. doubt that no durable solution to the Sri Lankan Tamil question can be sought without the involvement of the LTTE. However, the government of India, drunk with military arrogance and for its own geo-political gains, is pursuing a path which is just the opposite—of physically liquidating the LTTE by means of an expensive armed campaign. The Indian government has deployed one lakh armed soldiers to hunt down an estimated 2,000 LTTE militants.

Not only has the Indian government turned down the repeated offers by the LTTE for unconditional talk, it has also turned a deaf ear to the appeals by citizen groups and political parties, both in Sri Lanka and in India, to declare a cease-fire and open negotiations with the LTTE. On the contrary, the trigger-happy Indian soldiers are turning the life of common people in the Tamil areas of Sri Lanka into hell—all in the name of finding a solution to their problems. A report about a recent incident in Jasfna town involving the IPKF, that appeared in a Tamil weekly Junior Vikadan (February 24), is a case in point. When a lone LTTE gunman shot dead an Indian soldier at the Mutiasi Kadai Theru junction of Jaffna town, the 1PKF forced three thousand local residents-men, women and children irrespective of age—onto the nearby street and held them under the blazing sun, without water or food, for full nine hours. Also they raided the Eelanadu newspaper office located nearby and beat up its editor with belts and wires.

If the LTTE does not agree to India's condition that it should lay down arms before any negotiation begins, there are rather genuine reasons for it. The Indo-Sri Lankan accord does not offer the Srl Lankan Tamils even the extremely limited autonomy enjoyed by the states in the Indian union. After more than three decades of bitter struggle, this is not what the Tamils have bargained for. Moreover, the government of India has failed to prevail over the Sri Lankan government to execute certain limited benefits the accord has promised to the Tamils. In a recent letter to the Indian prime minister, the leaders of the Tamil United Liberation Front (TULF) has given specific instances of how state-sponsored Sinhala colonisation is going on in the eastern province and how the Sri Lankan armed forces are murdering the Tamil refugees returning to their homes. While the Tamil political prisoners continue to languish in the much dreaded Sri Lankan gaols, contrary to the promise, the notorious Sinhala homeguards are yet to be disbanded. Instead, there is redeployment of Sri Lankan armed forces in the eastern province. In these circumstances, laying down arms by

the LTTE will mean mortgaging the future of the Sri Lankan Tamils to India, which is more bothered about its own geopolitical gains rather than a solution to the Tamil question in the island nation.

The way out for India from the Sri Lankan quagmire is to redefine its stance as one of just assisting the Tamils in their effort to find a solution on their own, rather than to impose on them an unfair solution. With the passage of time, even those Sri Lankan Tamils, who earlier found the accord acceptable, are getting disillusioned. Note what V Balakumar, leader of Eelam Revolutionary Organisation (EROS) who still supports the IPKF, has to say recently: "We don't want to fight the IPKF. We don't want to treat them as our enemies, at least so far. But if the present situation is allowed to continue without relief for common man, we may be compelled to return to arms." Unless the government of India makes amends for its mistakes in Sri Lanka—that too rather soon—this country will find itself on the wrong side of history.

lakh tonnes in 1989-90, production will have to be stepped up by 70 lakh tonnes over the next two seasons. This poses a really formidable challenge. It is to meet this challenge that the Technology Mission has been set up to help achieve self-sufficiency in vegetable oils through a well-conceived four-pronged strategy, consisting of new crop technology, better processing and storage facilities, strong support system to the cultivators through the supply of essential inputs and remunerative prices and support operation for the increase in the production of major oilseeds.

### **BUSINESS**

## VEGETABLE OILS Widening Gap

GOING by the deliberations at the 9th all-India seminar on rabi oilseed crops organised by the Central Organisation for Oil Industry and Trade (COOIT) at Agra on April 3, rabi oilsecds production during 1987-88 (October-September) is expected to be a little over 60 lakh tonnesan all-time record. The tentative estimates of marketable surplus in respect of different crops are: mustard/rapeseed 33.75 lakh tonnes (inclusive of 2.75 lakh tonnes of toria), groundnut 16 lakh tonnes (in shell) and 11.2t) lakh tonnes (in kernel), linseed 4 lakh tonnes, safflowerseed 4 lakh tonnes and sunflowerseed 6 lakh tonnes. This is the first time that rabi production will have exceeded the season's kharif output which, of course, is due primarily to the partial failure of the major kharif crop (groundnut) because of the devastating drought though the production of rabi crops also registered fair increases over the previous year's harvest. Mustard/rapesced and sunflower have been termed as the future oilseed crops which can go a long way in achieving self-sufficiency in oils.

In his presidential speech the COOIT chief Hotchand Bhojumal has attributed the record rabi production this season to the "genius and hard work of our farmers and the efforts put in by National Oilseeds and Vegetable Oil Development Board and Technology Mission for oilseeds by diversification of rainfed/low irrigated wheat land to rapeseed and mustardseed and popularisation of rabi groundnut cultivation in non-traditional areas and promotion of sunflower cultivation in rabi/zaid season". Describing the increase in rabi production as a "great achievement particularly in view of the unprecedented drought situation in the country", the union minister of state for food and civil supplies, Sukh Ram, who inaugurated the seminar, complimented the national mission on oilseeds for the 'commendable job' it had done by way of better crop management.

While it would seem uncharitable to belittle the role of the Technology Mission for oilseeds production, it needs to be pointed out that the increase in rabi oilseeds production this season has been due largely to the increase in area sown. The unprecedented drought has had nothing to do with rabi crops because of the highly beneficial rains before the commencement of rabi sowings and favourable weather conditions thereafter. The two per cent decline in the average yield of oil recovery in mustardseed this year, estimated by the seminar, suggests that the increase in mustard/rapeseed production is not really due to the use of better quality seed and improved package of practices.

The share of rabi oilseeds in the total oilseeds production has been on the increase ove the past few years. This is due less to the quantum jump in rabi production than to the depressed level of kharif production because of the erratic monsoon. Lest one gets away with the impression that the record production of rabi oilsecds this season marks the beginning of a significant breakthrough in oilseeds output and a major step towards the goal of self-sufficiency and that the various measures taken by the government have started yielding results it needs to be mentioned that according to S N Agarwal, chairman, U P Oil Millers' Association, Kanpur, who delivered the welcome address, "there has not been practically any impact of the Thrust Mission on oilseeds except development of new strains of mustard which are in development stage"

In any case, even on a most optimistic reckoning, oilseeds production this season is unlikely to exceed 110 lakh tonnes which is as much as 47 lakh tonnes less than the target set for the year and 20 lakh tonnes less than the previous record output of 129.5 lakh tonnes in 1984-85. The annual average for the first three years of the Seventh Plan works out to be barely around 111 lakh tonnes. This means that in order to achieve the plan target of 180

That there exists considerable gap between experimental yield and yield obtained at the farmer's field may be readily conceded. Significant progress has been made in evolving technologies for the processing and treatment of some of the very difficult oils. It is also true that by simple transfer of available technology developed by agricultural scientists and its vigorous adoption productivity can be increased 2 to 3 times. Unfortunately, the harsh reality about the basic constraints on production cannot be just wished away. Very briefly stated, some of the major constraints include cultivation of oilseeds mostly under rainfed situation and that again on marginal and submarginal lands, lack of varieties resistant to important diseases and insect pests, inadequate availability of quality seeds of improved varieties, non-adoption of improved package of practices for maximum production and poor extension work. Oilseeds production cannot be said to have suffered from lack of knowledge of what needs to be done. The major problem has always been of how to get things

The vegetable oils scenario presents a mixture of many odd elements. Official pronouncements continue to hold out the promise of an early self-sufficiency in edible oils but the gap between domestic supply and demand keeps widening necessitating massive imports. Requirements of imported oil this season (November-October) are reckoned at 21.60 lakh tonnes. In view of the spillover from last season amounting to 3.66 lakh tonnes, imports during 1987-88 are expected to be of the order of 18 lakh tonnes against 16.45 lakh tonnes in 1986-87, 12.76 lakh tonnes in 1985-86 and 11.97 lakh tonnes in 1984-85.

When corresponding with the Circulation Department, subscribers are requested to mention their subscription numbers.

The government's concern about high edible oil prices accords ill with its concern for protecting growers' interests. The champions of growers' cause never tire of emphasising the need for ensuring remunerative prices for stepping up production. But they never bother to ask themselves how under conditions of chronic shortage producers are unable to realise remunerative prices for their produce. Only gross infrastructural inadequacies and marketing deficiencies can explain the persisting wide gap between what the producer gets and the consumer pays. In an economy of acute shortages, production depends essentially on the timely availability of requisite inputs rather than the prices farmers are able to realise.

The government keeps importing massive quantities of edible oils without making adequate efforts to exploit fully the oil potential of the existing oil bearing resources. Domestic edible oil supply is sought to be augmented through imports of oils when the domestic crushing/processing industry is nursing huge idle capacity. It is surprising that the government should keep questioning the economic viability of importing oilseeds in lieu of or in addition to oils when the associations connected with rice bran and soybean processing have been willing to give a firm undertaking that imports of these two commodities could be effected without any net outgo of foreign exchange. The government's policy in regard to pricing and allocation of imported oils suffers from many serious shortcomings, exposing it to the charge of appeasing certain vested interests.

# DEOILED MEAL Ill-Conceived Export Policy

 THE new export policy which is valid for three years beginning with April and aims at giving a thrust to exports through simplified procedures has evoked mixed reactions from the oilseeds trade and industry. Exporters of deoiled meals other than those under 'limited ceiling', namely, rice bran extraction, groundnut extraction and cottonseed extraction/expeller, are naturally happy as these items have been placed under OGL and they will not therefore have now to pay any fee for registration of export contracts. While exporters of items under 'limited ceiling' also will not be required to pay any fee for registration of their contracts this will mean precious little as the procedure laid down for effecting exports is time consuming, complicated and cumbersome.

In the case of 'limited ceiling' items, the regional licensing authorities will be issuing trade notices informing that a certain

ceiling is available for allotment to prospective exporters who will be given 15 days to submit their export applications stating quantity and price along with a bank guarantee equivalent to one per cent of the FOB value of the ceiling item applied for. Failure to fulfil the quota sanctioned will entail forfeiture—complete or partial—of the bank guarantee.

The procedure requiring submission of applications at one time with quantity and price for six months betrays an utter lack of understanding of the subtle nature of export activity in deoiled meals as also of the role of various associations monitoring exports have been playing. International markets for deoiled meals are highly sensitive and also speculative with price fluctuations based on Chicago Board of Trade daily prices of oils/meals. The discipline prescribed under the new export policy is bound to have serious repercussions on exports of rice bran extraction, groundnut meal and cottonseed extraction which, between them, constitute almost half of the total earnings from exports of all the deoiled meals estimated around Rs 225 crore.

The advisability of fixing ceilings in the context of aggressive export drive for maximising foreign exchange earnings is highly questionable. That apart, judging by annual exports over the past five years, there seems little chance of exports of rice bran extraction, groundnut meal and cottonseed extraction reaching very close to the ceilings let alone exceeding them. New Delhi will do well to reconsider its export policy and place the 'limited ceiling' items also under OGL before exports suffer an irreparable damage.

The associations-SEA, GEEUS, AICOSCA and SOPA—which have been stripped of their role as export monitoring agencies have been playing an important role not only in promoting exports by collecting and disseminating useful information on various aspects of the export trade but also in developing the processing industries. With their financial base considerably eroded because of the loss of income accruing from registration of export contracts, the concerned associations will need to pay serious attention to raising additional resources through suitable hike in membership fee to strengthen the organisational framework to be able to serve the cause of the industry and trade they represent. Any development effort requires adequate financial support. The government too can no longer delay the setting up of an export promotion council for deciled meals making full use of the experience and expertise the existing trade organisations possess. In the absence of such an organisation it will be well nigh impossible to obtain any worthwhile information -statistical or otherwise-about developments on the export front.

### TWENTY YEARS AGO

EPW, April 13, 1968

Six years before a white man's bullets finally felled him in Memphis, Dr Martin Luther King had said in Albany: "I want it said even if I die in the struggle that 'He died to make men free' "... The sick society of present-day America may take some time to realise the full import of what happened on April 5 but the coloured peoples of the world who constitute two-thirds of mankind will not easily forget the tragedy... The riots that have already occurred in several American cities might well have been touched off by a less horrid event. All that white America had done to meet the crisis was to perfect weapons to fight the Negroes and to repeat the experiment of escalation that was tried in Vietnam. In fact some of the new weapons given to the white police were adapted from the Vietnam experience... Desperation has driven the Negroes to the search for a non-American identity. With the removal of Dr King from the American political scene, the extremists' appeal is likely to grow...Whether the Negroes will ultimately turn to Martin Luther King or Malcolm X will depend on what white America does for them soon and how soon.

The Asian Development Bank has completed its organisational and administrative arrangements and has formulated a policy framework for its operations... A suspicion which has haunted many people from the inception of the Bank is the extent to which it would be able to function in the interest of the developing countries of the region. without yielding to influence by the developed member-countries. Sixty per cent of the voting rights are in the hands of the developed countries... The Bank should, unlike the IDA, seek to utilise its inconvertible currency holdings to the maximum extent for financing projects by giving positive inducements for intra-regional imports ... Perhaps by offering the inconvertible currency loans on easier terms than convertible currency loans, the ADB could build into its operations an incentive for greater intra-regional trade as well as a lower dependence on finance or resources from outside the region.

Hindustan Steel is the largest company in India, and the only Indian company to be ranked (120th) in the Fortune directory of 200 largest non-US companies. Its financial results, however, provide no cause for enthusiasm... It is argued that HSL has new high cost plant against the depreciated low investment of private companies...This is only a half truth, since at least half of the TISCO and IISCO block is about the same age as HSL's... [Its] bloated labour force leads to high manning costs; this is almost a political factor. . HSL had almost no management throughout 1967-68. Durgapur's general managership was under dispute, Rourkela's and Bhilai's general managers had left or were about to leave, and HSL itself did not have a chairman.

### **STATISTICS**

					Varia	tion (per	cent)		
Index Numbers of Wholesale Price (1970-71 = 100)	ces Weight	Latest Week (26-3-88)	Over Last Month	Over Last Year	Over March 28, 1987	In 86-87++	In 85-86++	In 84-85	In 83-84
All Commodities	1000	417.7	1.0	10.4	10.4	4.8	5.8	7.1	9.5
Primary Articles	417	393.5	1.1	13.4	13.4	5.7	2.1	4.8	11.0
Food Articles	298	380.8	2.3	11.5	11.5	7.2	7.9	6.4	13.5
Non-food Articles	106	390.3	-1.9	22.1	22.1	6.7	-10.3	-2.3	15.1
Fuel, Power, Light and Lubricants  Manufactured Products	85 499	667.6 395.6	0.4 1.1	6.6 9.2	6.6 9.2	6.7 4.7	11.9 7 <b>.</b> 2	2.6 5.0	7.6 8.7
Manufactured Froducts	427	373.0	1.1	7.2		tion (per		0.0	0.7
Cost of Living Index		Latest	Over	Over	Over	(40)			
Goot of Estating Stratch	Base	Month	Last	Last	March	In	In	In	In
			Month	Year	1987	86-87	85-86	84-85	83-84
For Industrial Workers	1960 = 100	749 <sup>2</sup>	- 0.5	9.2	9.2	8.7	6.5	6.4	12.6
	1984-85 = 100	128 <sup>2</sup>		9.4	9.4	7.3	7.9	8.1	10.3
For Agricultural Labourers	July 60 to	655 <sup>2</sup>	0.3	14.3	14.3	4.8	4.8	0.2	11.4
	une $61 = 100$				Variation t		n hunakata)		
Manne and Panting		Latert	Over		Over	per cent i	n brackets)		
Money and Banking	Unit	Latest Week	Over Last	Over Last	March	1n	lu	in	In
	VIII.	(25-3-1988)		Year	27, 1987	86-87 + +	85-86++	84-85	83-84
Money Supply (M <sub>3</sub> )	Rs crore	1,61,503	1,230	20,870	20,870	21,627	14,423	16,058	13,031
woney supply (w <sub>3</sub> )	113 01010	1,01,505	(0.8)	(14.8)	(14.8)	(18.3)	(13.9)	(18.7)	(17.9)
Net Bank Credit to Government Sector	Rs crore	83,950	` <b>-2</b> 1	12,652	12,652	12,822	6,555	8,445	5,757
Bank Credit to Commercial Sector	Rs crore	1,03,225	1,922	10,079	10,079	10,576	10,963	10,809	8,830
Net Foreign Exch Assets of Banking Sec		5,398	1,087	673	673	1,251	13 160	1,419	~104
Deposit of Scheduled Commercial Bank	s Rs crore	1,17,574	-2,856 (-2.4)	14,850 (14.5)	14,850 (14.5)	16,723 (19.6)	13,160 (18.2)	11,519 (19.0)	8,550 (16.4)
Foreign Exchange Assets**	Rs crore	7,138	1,087	507	- 507	604	197	1,319	1,233
•	110 01010	.,	-,			(8.6)	(0.8)	(24.0)	(28.9)
Index Numbers of Industrial Production	Weights	Latest Month	Avera Mon			Vari	ation (per	ent)	
(1970 = 100)					ln	ln	1n	ln -	ln
			1986	1985	1986 + +	1985 + +	1984	1983	1982
General Index	100.00	222.0 <sup>10</sup>	217.5	204.4	6.1	6.4	6.6	4.2	4.5
Basic Industries	33.23	288.710	272.6	250.9	7.7	8.7	10.8	5.5	8.0
Capital Goods Industries Intermediate Goods Industries	14.98 21.33	235.1 <sup>10</sup> 187.1 <sup>10</sup>	231.0 187.7	224.1 179.2	2.4 6.0	3.1 4.7	6.6 6.1	5.3 6.8	- 0.9 1.9
Consumer Goods Industries	30.46	174.410	173.1	161.9	5.3	6.9	2.6	0.6	5.8
Durable Goods	3.81	303.110	286.7	246.3	14.0	17.4	17.8	1.0	3.6
Non-Durable Goods	26.65	156.0 <sup>10</sup>	156.9	150.1	3.4	4.5	0.2	0.5	6.5
Foreign Trade	Unit	Latest Month	Cumula	tive for*					
		(Jan 88)	1987-88	1986-87	1986-87	1985-86	1984-85	1983-84	1982-83
Exports	Rs crore	1,368	12,603	10,109	12,550 (14.0)	11,012 (-7.1)	11,855 (20.0)	9,872 (10.8)	8,908 (I4.2)
Imports	Rs crore	1,753	18,029	16,401	20,063	19,766 (15.1)	17,173 (8.9)	15,763 (9.8)	14,356 (5.0)
Balance of Trade	Rs crore	- 385	- 5,426	-6,292	-7,513	- 8,754	~ 5,318	-5,891	-5,448
Employment Exchange Statistics	Unit	Latest Month	Cumula	tive for*					
		(July 87)	1987	1986	1986	1985	1984	1983	1982
Number of Applicants on Live Registers	Thousand	27,259	27,259	28,442	30,131	26,270	24,861	23,034	19,753
(as at end of period) Number of Registrations	Thousand	335	3,091	3,170	(10.9) 5,473	(6.0) 5,824	(7.9) 6,220 (-8.0)	(16.6) 6,756 (15.3)	(10.7) 5,862 (-6.6)
Number of Vacancies Notified	Thousand	56	373	354	(~6.0) 616 (-10.0)	(-6.4) 683 (-3.4)	707 (-15.5)	(15.3) 827 (0.9)	820 (-8.4)
Number of Placements	Thousand	35	215	216	356 (-8.2)	388	407 (~ 16.3)	486 (2.5)	474 (-6.1)
Income	Unit	1986-87 1 *	1985-86++	1984-85 <b>°</b>				1980-81	1979-80
Gross Domestic Product (current prices Gross Domestic Product (1980-81 prices Per Capita Income (1980-81 prices)		2,60,584 1,62,326 2,975	2,33,305 1,56,083 2,721	1,90,888 61,838 775	1,72,704 59,541 764	1,45,961 55,068 721	1,30,770 53,470 720	1,22,226 1,22,226 1,627	95,358 47,191 664

<sup>\*</sup> For current year upto latest month for which data are available and for corresponding period of last year

\*\* Excluding gold and SDRs.

+ Upto latest month for which data are available.

+ Provisional data.

@ Relate to 1970-71 prices.

Notes: (1) Superscript numeral denotes month to which figure relates, e.g., superscript indicates that the figure is for January and so on.

(2) Figures in brackets denote percentage variation over previous period.

### JAY ENGINEERING

### **Export Promise**

JAY ENGINEERING has shown improved performance for 1986-87 with higher sales and profits. On a turnover of Rs 103.38 crore against Rs 90.72 crore in the previous year, gross profit has increased from Rs 2.58 crore to Rs 3.04 crore. This outcome has resulted from a slight improvement in profit margins. Net profit is Rs 96 lakh (Rs 67 lakh). Dividend has been raised by half a point to 12.5 per cent which is covered 3.14 times by earnings as against 2.30 times previously. Profit would have been 'substantially higher', but for the continuing large-scale losses at the two Calcutta units. Results of Agra works were better than the previous year. but those of Hyderabad Fan works declined on account of disturbed working conditions during negotiations for the new wage settlement. The matter has now been referred by the government to adjudication. Extended power cut during the year also affected the operations adversely. The results of Shriram Diesels fuel injection plant at Hyderabad improved considerably. Production, sales, and profit were better compared to the previous year.

Exports of fuel injection equipment were substantially higher. There has been increasing acceptance of the product quality in the world markets, and this holds out promise of increased exports in the coming year. The privileges provided by the government to small-scale enterprises continue to have an adverse effect on the financial results of the old established larger enterprises, on account of their traditionally higher overheads. The basic products of the company, viz, fans and sewing machines continue to be seriously affected by such privileges, according to the management.

### **CIPLA**

### New Anti-Bacterial

CIPLA has turned in good results for 1986-87. Sales, profits and margins are all higher compared to the previous year. Dividend has been stepped up from 15 per cent to 18 per cent and reserves have been

The Week's Companies

(Rs Lakh)

		Jay E	ngg	CH	LA	Hind Co	nstruction
		Latest Year 30 9-87	Last Year 30-9-86	Latest Year 31-10-87	Last Year 31-10-86	Latest Year 31 7 87	Last Year 31-7-86
Paid-up Capital		279	279	81	81	655	655
Reserves		1983	1973	1297	1192	1711	2057
Borrowings		2205	2328	1489	1430	7110	7081
of which Term Borrow	ings	543	603	825	448	1114	1109
Gross fixed assets		4169	3950	2235	1960	6579	6330
Net fixed assets		2470	2566	1543	1479	3152	3469
Investments		5	5	5	4	65	95
Current liabilities		2277	2265	869	1000	3831	3766
Current assets		4272	4275	2187	2220	10039	9934
Stocks		1512	1434	1190	1125	8574	8604
Book debts		2234	2115	285	392	168	136
Net sales		10338	9072	4593	4103	9885	8426
Other income		277	271	130	117	222	92
Raw material costs		3777	4154	2212	1981	5482	4253
Wages		1302	1208	570	464	2924	2659
Interesi		453	381	184	160	929	727
Gross profit (+)/loss (	)	304	258	394	343	145	257
Depreciation provision		192	172	212	101	492	452
Tax Provision		16	19	3(1	57		
Net profit (+)/loss(-)		96	67	152	185	, 347	195
Investment allowance res	erve	36	21	_	44		
Transfer to reserves		20	14	138	129		
Dividend					•		
Amount	Р	5	5	1	1		2
	E	29	27	13	11	_	
Rate (per cent)	P	10	10	. 11	11	_	6.25
	E	12.50	12	18	15	-	_
Cover (times)		3.14	2.30	11.61	16.72		
Ratios (per cent)							
Gross profit/sales		2.94	2.84	8.58	8.36	1.46	3.05
Net profit/capital emplo	yed	4.24	2.97	17.82	25.86		_
Inventories/sales		14.62	15.80	25,91	27.41	86.73	102.11
Wages/sales		12.59	. 13.31	12.41	11.31	29.58	31.55

further augmented. The company invested Rs 3.14 crore in capital assets for modernisation of plant and machinery as part of its ongoing programme of updating technology and facilities. The company's R and D efforts continued to be directed towards import substitution, more modern and safer methods of manufacture of bulk drugs from the basic stages. The company's association with RRL, Hyderabad, has resulted in the development of technology for the manufacture of the antibacterial, norfloxacin. In the current year, the company has been the first in the country to introduce the formulations of norfloxacin under the brand name 'Norflox' within a few months of its introduction internationally. Association with the national laboratories continued in the areas of sponsored and collaborative research as well as technology transfer.

During 1986-87, the company earned a gross profit of Rs 3.94 crore against Rs 3.43 crore in the previous year following a turnover of Rs 45.93 crore against Rs 41.03 crore. With depreciation claiming more, however, net profit declined from Rs 1.85 crore to Rs 1.52 crore. Even so, the enhanced distribution was covered 11.61 times by earnings as against 16.72 times previously. Exports declined from Rs 4.23 crore to Rs 2.85 crore due chiefly to restricted orders from USSR. The demand for some of the US FDA approved products is picking up. The quality of the products has been well accepted in the international market. Additional bulk drugs and formulations are being registered abroad to broaden the product base so as to enhance the export potential.

### HCC

### Shaky Year

HINDUSTAN CONSTRUCTION COM-PANY, for the second year in succession, has shown a loss and skipped dividend. The last payment on equity was at 15 per cent for 1984-85. The value of total work done during 1986-87 amounted to Rs 98.85 crore, 17.31 per cent higher than the previous year. Work done overseas was Rs 5.32 crore against Rs 6.17 crore. The year's outcome was a fresh trading loss of Rs 1.45 crore against Rs 2.57 crore previously. After depreciation, there was a net loss of Rs 3.47 crore (Rs 1.95 crore). During the first six months of the current year till the end of January 1988, the value of work done was Rs 48.45 crore against Rs 34.16 crore for the same period during the previous year. The work overseas has been nearly completed. There are no further orders in Iraq due to paucity of finance for developmental works there. Even the

payments for work done under the contracts already executed in Iraq are deferred under the arrangement arrived at between the governments of India and Iraq. This has resulted in an increased and heavy burden of interest charges for the

The company has entered into arrangements for technical know-how with Nikex Hungarian Trading Company of Budapest, Hungary and Taisei Corporation of Japan for execution of the underground tunnel work for the Metro Railway Project in Calcutta. The new techniques of tunnel excavation, shielding, etc, have been employed on this work with encouraging results. The company has entered into foreign consultancy agreements with Pullman Power Products International Corporation, USA, and Interform, Sweden, for its Trombay chimney works.

### MSSIDC

### **Assisting Small Industry**

MAHARASHTRA SMALL SCALE INDUSTRIES DEVELOPMENT COR-PORATION (MSSIDC) has recorded a turnover of over Rs 160 crore in 1987-88 compared to Rs 101 crore in 1985-86 and Rs 125 crore in 1986-87. During the year 1987-88, there was an expansion in the various activities of the corporation. MSSIDC provided marketing assistance of about 45 crore to more than 5,000 SSI units. The corporation is a recognised export house and has exported goods manufactured in Maharashtra worth about Rs 2 crore. The corporation is running a chain of emporia at New Delhi, Bombay and Nagpur, selling various handicraft articles. During the year the corporation marketed handicraft goods worth about Rs 1.50 crore through these emporia.

MSSIDC markets the products of small scale industries to government and semigovernment departments under its contract marketing scheme. SSI units registered with directorate of industries can avail of this marketing assistance. The corporation also procures and distributes several raw materials. MSSIDC has been distributing iron and steel and other raw materials to SSI units over the past

MSSIDC has recently launched a new scheme of import assistance under which the requirement of SSI units for raw materials under OGL are imported and distributed on the basis of their indents. MSSIDC is a recognised export houre. Products manufactured by SSI units c 7 be exported through MSSIDC to various developed as well as developing countries. In pursuance of the objective of popularising and promoting handicrafts, MSSIDC extends a helping hand in preservation of age-old crafts through its various production and marketing centres.

With a view to promoting entrepreneurship, the corporation organises entrepreurial development programmes in the different fields. MSSIDC is also implementing a self-employment programme for educated unemployed in Bombay. In order to provide adequate guidance to the entrepreneur to start his own industry, the corporation has started an industrial service cell.

### UNION BANK

### Substantial Increase in Profits

DESPITE a greater proportion of credit to priority sectors fetching relatively lower returns, the profits of the Union Bank showed a substantial increase during the year, up from Rs 10.55 crore in 1986 to Rs 20.41 crore in 1987. During the period 1984-87, the bank's net profits have recorded more than five-fold increase, from Rs 3.11 crore in 1984 to Rs 20.41 crore in 1987, which is a unique achievement in the annals of the banking industry in the post-nationalisation period.

Social banking received further impetus, with the share of priority sector lending in total advances reaching the level of 46.48 per cent as of end-1987, as against 44.17 per cent as of end-1986. The major portion of priority sector credit was allocated to agriculture which increased by Rs 44.64 crore during the year to reach the level of Rs 357.54 crore. The share of direct agricultural advances in total advances of the bank was 17.38 per cent, as of end-December 1987, thus achieving the revised target of 17 per cent set to be reached by March 1989.

Advances to the weaker sections increased by Rs 46.03 crore or 21.38 per cent to reach the level of Rs 261.36 crore, accounting for nearly 50 per cent of the incremental credit to priority sectors. The share of advances to weaker sections in net bank credit reached 12.70 per cent as of end-1987. Significant headway was also made in the implementation of Integrated Rural Development Programme (IRDP), with the outstanding credit under this programme recording a growth rate of 22.58 per cent during 1987. The outstanding credit under the 20-Point Programme increased from Rs 237.08 crore covering 5.51 lakh borrowal accounts in 1986 to Rs 254.48 crore covering 5.87 lakh borrowal accounts in 1987.

### Light Years Ahead

PEICO ELECTRONICS AND ELEC-TRICALS has devised a strategy to concentrate on four main areas, namely, consumer electronics, electronic components, telecommunication and data systems

(DTS) and lighting. The company will invest about Rs 10-20 crore a year over the next four/five years on modernisation and expansion. According to M C Guepin, chairman and managing director, electronics is constantly in the area of innovation and it would be imperative for the company to have the right kind of machinery for the products that the market needs. In the field of lighting, the company is concentrating on energy-saving bulbs in line with the government's policy of conservation and proper use of energy. The company has got a licence to produce 50,000 TV sets per annum. Production is to be inaugurated on May 10. Meanwhile, the company has fared very well during 1987 with sales amounting to Rs 385.93 crore against Rs 321.45 crore in the previous year and profit before tax Rs 366 lakh against Rs 47 lakh only. After some adjustments, profit after tax came to Rs 4.03 crore. The directors have recommended payment of an unchanged dividend of 10 per cent which will absorb Rs 3.33 crore.

### IN THE CAPITAL MARKET

### **Telephone Cables**

TELEPHONE CABLES, jointly promoted by the Punjab State Industrial, Development Corporation and the family of Sardar Harcharan Singh Brar of Punjab, is entering the capital market on April 28, with a public issue of 39 lakh equity shares of Rs 10 each for cash at par totalling Rs 3.9 crore to part finance the Rs 26 crore project at Mohali, 15 kms from Chandigarh, for the manufacture of polythene insulated jelly filled cables with an installed capacity of 6.25 lakh conductor kilometre. The licensed capacity is 10 lakh CKM which can be achieved with an additional outlay of Rs 8 crore only. The company has entered into a collaboration agreement with United Technologies, USA. The project cost is made up of institutional loans of Rs 17.35 crore, promoter's capital of Rs 4.70 crore and public issue of Rs 3.90 crore. According to B Brar, managing director, the company expects a turnover of Rs 30 crore with a gross profit of Rs 2.7 crore for the year ending June 1989 and a turnover of Rs 32 crore in 1989-90. The breakdown point will be at 50 per cent capacity utilisation. The full capacity will be achieved in the second year. No difficulty is envisaged in marketing the product because, in addition to the P and T's estimated requirement of 130 CKM, these cables are used in railways, defence installations and public sector organisations like ONGC and SAIL. The company has received orders worth Rs 6 crore from Mahanagar Telephone Nigam and P and T.

### E P Thompson and 'Eurocentrism'

**GPD** 

Any analysis of international politics which takes a supra-bloc and supra-ideology view is Eurocentric.

IN a recent issue of END Journal E P Thompson (EPT) has chosen to reply to what we wrote in these columns on (what even now appears to us to be) the 'Eurocentrism' of the END approach to peace. Normally we would not have bothered readers of EPW with what EPT has to say on our position had it not been for the case that he has warned "readers of the Economic and Political Weeklya journal with a distinguished record of socialist analysis—to watch this kind of language". EPT means our kind of language. If in the view of EPT, a distinquished thinker with a considerable following among Indian intellectuals, it is distressing that the EPW should carry our kind of language, it is important that we restate our position and more specifically reply to EPT's outburst against us.

Let us begin with rel .. vely small points. We may or may not be "charlatans or just ill-informed" but we certainly know that many Europeans have supported in the past and still do many Asian and specifically south Asian causes. We have never denied that and we do not mean to do so. The humanism of Europe, we realise, is not altogether dead. We remain grateful for that kind of internationalism. What EPT does not know, however, is our support to European causes. We recall having joined a campaign against the expulsion of Solzhenytsin. When the author of Die Wunderbaren Jahre was expelled from East Germany, we translated a little story by him and wrote, angrily one must add, against his expulsion in the very columns of *EPW*. We were the only ones to do so in India. When the Soviets moved their troops in Czechoslovakia, EPT should look up the files of EPW or ask his Indian friends to send him xeroxed copies, we wrote against it in the columns of EPW. Not being Europeans our support for these causes cannot be as important as, shall we say, Mary Kaldor's "moving analysis of Bhopal tragedy". Otherwise EPT's Indian friends and admirers would have brought it to his notice. He should also look up EPW's files for our position on Afghanistan. So nobody should throw the basic wisdom at us that the fact that

a given concern is European "does not make the concern improper". Had it been so we would not have supported as many European concerns (if not more) as some of the European supporters of Asian concerns have. One can go on citing examples. In the very extract of our article cited by him we have branded the Czech government's attitude to the Jazz Section as "bureaucratic misdeeds". We said that before EPT brought it to our notice that Vlastimir Marek was a practitioner of Indian music. We would say what we did even if he were to treat Asian music as ethno-music as some Americans seem to do. It would be worthwhile for END Journal to attack this tendency to treat Asian/third world music as ethno-music and Mozart, Beethoven and the like as music. Maybe just as ban of Jazz Group prevents nuclear disarmament or obstructs the peace process generally (a logic we are frankly unable to understand) even this nonsense of ethno-music can be seen as preventing nuclear disarmament or obstructing peace-process generally.

To be sure, we have not condemned Czechoslovakia or the S wiet Union as non-socialist states. That is precisely the point. What we meant by Eurocentrism is the attitude which equates the two blocks, abandons Lenin's theory of imperialism and equates in a manner of speaking banning of music with razing a village to ground in Asia. In other words, the European world is the world where the ideological differences have ceased to matter. Any analysis of international politics which takes a supra-bloc and supraideology view, any analysis which does not see that Lenin's theory of imperialism is still valid today is Eurocentric. There is nothing racist about it. Yes, we mentioned the white man. But that is because it was once possible to see white people differently—some as socialist, some as antiimperialist, some as imperialist and so on. EPT and his friends have obliterated those distinctions; we haven't. Now it is all whites or Gastarbeiters in Europe. They are racists, we are not. If EPT or the END Journal were to assert that it is 'imperialism' which is preventing peace, they would cease to be whites for us. EPT can (and will) reject this understanding but he cannot call it racist. The Asian examples we had cited were not just coloured examples. They happened to be coloured. More importantly they were victims of capitalism of the Reagan and Thatcher variety. The Rajiv Gandhis of the world are also part of the white world for us White in this kind of discourse is an abstraction and not a racist term.

There is one final point we should perhaps make. For people who have not known war for over four decades, the world and also the peace process look different. There is much that is wrong and even condemnable about the 'socialist' world. We are not as ill-informed as some people might think not to know that. But it is an undeniable fact of the history of the coloured world of precisely the same period that the Soviet Union and eastern Europe have helped more causes than they have destroyed. Even the Gang of Four in China would be hard put to it to demonstrate that it is not so. We cannot think of a single Asian cause of freedom, development or peace which the Americans have helped. This is our history. Against that background any view of the world which lumps them together or calls plague on both houses appears to us just patently false. The perspectives of at least some in the peacemovement are Eurocentric to the extent they do not see that. Presumably, they have not bothered to read the history and the experience of the third world from China and Vietnam to Nicaragua. That's the point we were trying to make when the END Journal was trying to relate the indisputably stupid treatment meted out to Marek and the Jazz Section to the problems of peace and war. We understand this tendency as Eurocentric, not the criticism of the Czech government. Even if EPT were to cite a hundred examples of "moving analysis" of individual Asian tragedies, as long as they are informed by a view of history which fails to make elementary distinctions, his or END Journal's views will be for us Eurocentric. The best example of Eurocentrism of the above kind was furnished to us by an Indian friend who, in his dispute with a European commentator who seemed to hold both the superpowers responsible for the present state of the world, asked him who started the cold war. The European replied that he did not remember. He was perhaps trying to be witty. But whether it was wit or genuine lapse of memory, it could have been caused only by Eurocentrism.

### Crisis of the Indian State

Bhabani Sen Gupta

There are symptoms of a crisis of a real generational change in the political process: the passing of the hegemony of the Congress Party. But this is in itself a trauma for which the intelligentsia is ill-prepared. The Congress culture pervades Indian politics; it can be found not only in the opposition bourgeois parties but also in the Marxist left.

SOME 80 to 120 million Indians are said to be capable of buying consumer durables. A book, of course, is not a consumer durable. It is hard to remember when, if ever, the mass of Indian intelligentsia were moved by a book written by an Indian or a foreigner. We as a people are probably better in feeling than in knowing. There's hardly an Indian who doesn't feel that there is some kind of a deep crisis around. But few seem to want to know what the crisis is about, whether it's about the ruling party, or the political system, or the national economy. At a time of crisis, Indians hardly turn to books. They go to gurus, sadhus and babas, and to astrologers.

In the United States, a big fat book, 540 pages of thickly printed text and 80 pages of thin notes, priced at a hefty \$ 25 a copy, has created a rage. Since February, printing presses have been struggling to meet the demand for it. Newspapers like the Wall Street Journal and periodicals like The New Republic, radio and television analysts warn every senator and congressman, businessman and journalist, attorney and teacher, student and physician to read it. The book now stands as the nation's number 2 best seller.

It is not a Dale Carnegie book on how to win friends and make money nor a profile of the sex habits of the aging. It is a serious study of history by a Yale professor named Paul Kennedy. Bearing the forbidding title The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1,500 to 2,000, the book addresses the question: to what extent has the military and political standing of leading nations been dependent upon their relative economic efficiency, both as they rose and as they fell? In Paul Kennedy's words: "As each great power has risen in the ranks, boosted by its expanded material base, it has tended to devote more and more of its resources to military protection—to guard its interests, to deter (or defeat) jealous rivals. Affording that protection is not such a great problem when the home economy is growing swiftly; when, however, the nation concerned becomes 'mature' and its growth rate slows down, it becomes more and more difficult to maintain its extensive military and strategic obligations in the face of newer, faster-growing challengers. The faltering great power thus runs the risk of what I have termed 'imperial overreach', a widening gap between its global interests and obligations and its own capacity to defend them all."

Paul Kennedy's chilling inventory of the 'lessons' of history has gripped the American mind. "For the United States, many of them fear, may be entering its own 'Edwardian period'", writes Kennedy. "Its share of world manufacturing output continues to drop. Its growth rates have been slowing over the past few decades. Its industrial base has been eroded. It is not producing enough engineers and scientists though it is over-producing lawyers and doctors. Its educational system is under criticism from all sides. Its innercity social problems are immense."

None of these problems has been addressed by the Reagan administration in the seven years of its pugilist career. Indeed these problems have been compounded by a fiscal policy that has turned the United States from being the world's greatest creditor nation to being the world's greatest debtor nation in the space of seven years, a record without parallel in history. "Everywhere", warns historian Kennedy, "there are intimations of mortality as Number One, and the echoes of late-imperial Britain are remarkable—and clearly unsettling."

It is this message of the book, a grim warning, supported by an awesomely convincing array of historical evidence, that the American state is trapped in its most serious systemic crisis that has created this incredibly wide interest in Paul Kennedy's book. Whether it will have an impact on the future administrations' domestic and foreign policies, whether it will whip the American middle to corrective agitation and action before the final fall of the giant is altogether another matter. What is of

great interest is that almost the entire intelligentsla of the world's most powerful nation is demonstrating an eagerness to know from the secular pages of a book on history, what has gone wrong with their affairs and how.

India is not comparable to the United States of America. Still a sense of a deep crisis of the regime floats around in the Indian air, making every socially and politically conscious Indian uncomfortably aware that something has gone seriously wrong, that the order built or promised to be built by the first generation of leaders after independence is falling apart. But how many Indians are anxious to know what exactly has gone wrong and how and why? The day-to-day history of India is written on the front pages of our newspapers in the language of conflicts and confrontations. There is a lot of daily blood-letting in Punjab. There are pandemoniums in parliament and state legislatures. Money Almighty spreads its greedful wings over the entire political life of the nation. Even the topmost political leaders' probity and honesty are suspect. Government is conducted more and more under a veil of secrecy. The ruling party's lifestyle becomes increasingly conspiratorial. The ruling party develops a scary fondness for getting things done in the small hours of the morning when the whole nation is asleep. Opposition ministries face one crisis after another and parties engage in seemingly endless and everunsuccessful labour to unite. Meanwhile, prices rise. The country's foreign debt passes \$ 40 billion, mortgaging one-third of its entire export earnings for servicing the debt in the next two or three years. There is stagnation in agriculture, and inflation crosses the danger mark of ten per cent! The political leadership is a prisoner of the system. It is turning back to the past in search of a future.

### CRISIS OF A GENERATIONAL CHANGE

These are some of the symptoms of what undoubtedly is a serious crisis of the Indian state. It may well be the crisis of a real generational change in the political process: the passing of the hegemony of the Congress Party. That party itself had undergone fundamental changes from the two splits of 1969 and 1978. It lost its original coalitional, umbrella character, its ability to mediate conflicting demands and claims of different classes and interests, its humane sensitivities for the poor and the deprived, its moral fibre, its compassion and its integrity of values. Devoid of Ideology and moral integrity, it is now wedded to the naked power of

potitics, money, patronage. Still it enjoys a brute majority in parliament, and its behaviour becomes increasingly imperial and dictatorial.

At the state level, however, its domain is confined only to the north and the west. Even in this limited geography, its social base is shaky. Worse, being totally drained of democracy, and completely under the authoritarian control of a single individual, it is moth-eaten by factions. These factions have now begun to fight one another at the base level of the party. Even if the ruling Congress is returned to power in the next election, its majority in the Lok Sabha will get hugely reduced, while its credibility as the party of moral integrity and humane compassion for the poor will hardly be restored. And there is every probability that it will lose more than one of the states it holds in the north and the west without netting compensatory gains in the south or the east. The result will be that by the turn of the decade, the overall balance of political forces in the country will tilt against the Congress Party. Its supremacy at the centre will cease to be supported by its supremacy at the base level of the political system. It will still rule India. But it will not govern the larger part of the nation.

The end of the hegemony of the Congress Party is, in itself, a trauma for which the intelligentsia is ill-prepared. For the Congress culture is in the marrow of India's bodipolitik; it represents all that is atavistic as well as modern in the Indian mind. The Congress culture pervades Indian politics; it can be found not only in the opposition bourgeois parties but also in the Marxist left. The Indian middle class loves the Congress because it does not require it to make hard choices, because its concept of socialism doesn't mean distribution of wealth but only its acquisition by means fair and unfair.

There is hardly a second bourgeois party that is not under the thraidom of an autocratic leader; there is hardly a leader of any bourgeois party who has any firm commitment to democratic norms. Thus N T Rama Rao sees nothing wrong in making himself the sole dictator of Telugu Desam, nor in placing his sons and sonsin-law in pivotal positions in the government or the party. Even Ramakrishna Hegde would not consult the legislative Janata Party before nominating Jethmalani for the Rajya Sabha, and Chandra Shekhar would not hesitate to name Ajit Singh 'working president' of a larger Janata Party even if its constitution does not allow that kind of an office. If the Congress Party does not hold organisational election, its example is followed by several other political parties. No political party is willing to have its accounts audited and published for public information. No opposition party leader feels it necessary or obligatory to declare his personal and family incomes and inform the public of his income tax returns. As for the ruling Congress, a minister can easily get away by telling parliament that it is not in public interest to get ministers' personal assets and incomes brought to the knowledge of the people.

The crisis of values and institutions of the Indian state, then, is more than a crisis of the Congress Party or of the government of Rajiv Gandhi. It is the crisis of the regime that came to be erected after independence. The crisis is accentuated by the hegemony of the Congress Party at the national level if only because the party will mobilise all the lumpen forces and values to prolong its hegemony. India, however, will not be better governed merely by replacing the Congress by an opposition coalition. To be sure, a non-Congress bourgeois coalition will make a greater effort to attack mass poverty as the Janata government did in 1977-79; a non-Congress coalition that may have to depend on left support for survival will do this even a little more earnestly and systematically. However, governing India will be a most challenging task for any government in the coming years if it does not address itself to an urgent agenda of the minimum needs of Indian democracy: true federalism, a massive drive towards decentralisation of powers, functions and resources, renewal of the basic moral values of democracy, beefing up the basic institutions of democratic rule which are the political parties, parliament, the judiciary, the bureaucracy. Above all, governance of India will have to be informed with a continuing drive towards social justice. It has to be humane, with a burning concern for human life, liberty and dignity. India cannot be governed without adoptive space for the minorities who demand selfgovernment and autonomy. Nor without deliberately eliminating internal colonialism and the north-south syndrome that informs much of our political economy.

What has accelerated the crisis of the Indian state in the last eight years, particularly the last three or four, is the deliberate widening of a dichotomy between 'our' India and 'theirs'. 'Our' India is the India of the 80-120 million middle class that claims to have 'arrived'. This is the sunshine India that is hyptnotised by the slogan of 'Going to the Twenty-first Century' riding the wings of modern technology and brandishing the signboard of modernisation. This India of the 'arrived' stands on four pillars-military power, modern frontier technology, managerial profiles and electronic mass medla, especially colour television.

For this India of the arrived, India is a major power equipped with aircraft carriers, nuclear submarines, home-made deep-penetration fighters and bombers, air-to-air and surface-to-surface missiles. space satellites and nuclear bomb-making capability. It is an India with the world's third or fourth largest army, third largest scientific manpower, an impressive industrial profile, and a modest surplus stock of foodgrains. This India has developed the state's coercive power to a level that is amongst the most formidable in the world, and it has developed a pathological fear of its huge mass of restless people.

This India regards every demand for autonomy as a threat to the country's unity and integrity. It has scant respect for civil liberties except for citizens that are provenly loyal to the regime. It treats political opposition with disdain and aversion. It demands obedience to authority and calls that patriotism. This India has pushed the mass of the poor into the far depths of its interior; or at any rate, out of sight of the 80-120 million that matter and also of visitors from other countries. This India constantly compares itself with Japan, West Germany and the United States, never with even the best amongst the third world nations. It envies the Four Little Tigers of east and south-east Asia. This India would like to bring the entire south Asia under its benign imperial influence. It projects its massive power-military, technological, coercive-to the mass of the population to inspire their awe, respect and submission. It arms itself with draconian laws including legal power to declare emergency in a state on the ground of internal disturbance or "external aggression from within". This India's commitment to election is gradually weakening. Whatever its public rhetoric, no one can be certain that once it has the necessary legal power, it will not make use of Article 83(2) of the constitution which clearly allows the government to extend the life of parliament "by law for a period not exceeding one year at a time" in case an emergency is in operation, and "not extending in any case beyond a period of six months after the (emergency) proclamation has ceased to operate".

The other side of the dichotomy is the India of 300 or 350 million poor even by Indian standards, who may not starve but are often hungry and always victims of malnutrition; the 60 per cent of the population who still cannot read or write and have absolutely no health care; who have the world's highest rate of infant and childhood mortality and largest number of child labourers working in sub-human conditions. They are the dispensable and the redundant of India from whose

bosoms hope had fled and the future has vanished. A seething wave of anger is gradually engulfing this huge multitude of denied and deprived humanity. The divide between the two Indias widens year by year. The bridges of mediation and communication steadily wither.

The India of the 'arrived' now testivalise their arrival. They run for the country. The technicolour of the television screen proclaims this India's 'success' day after day. And the entire success is attributed to one leader. He alone can decide what is right and what is wrong. Which policy to adopt and which policy to reject. Which institutions are to be trivialised and which institutions to be magnified in importance. Who are patriots and who are anti-nationals. Who are reactionaries and who are progressives. What socialism is and what it is not. The profile of the leader pervades the rainbow world of television newscasts. It is sought to be printed permanently on the minds of the

The interesting point is that the entire world is co-operating to help the Indians who have arrived to build a universe of tinsel realities. India is no longer seen by the world as a country of 300-350 million poor, the largest mass of poverty in any single land on the planet. The world sees India as the huge market of 80-120 million people who can buy consumer durables. As the country that has started acquiring the elements of a blue water navy to emerge as an Indian Ocean power. That ean, if it makes the fateful decision, manufacture 50-100 nuclear warheads a year. Which is an IRBM power and has the proven potentiality of proclaiming itself as a thermonuclear power in a very short span of time. A power that has started to assume the unpleasant but unavoidable task of keeping the internal peace in neighbouring countries. That inspires articulated awe in the region which like a giant it straddles.

What really does it matter if the Indian state is in the grip of a crisis? The India of the 'arrived' is not. Or so is it believed. And this India enjoys the greedy support of the world's truly 'arrived' powers. To know is to realise, and to realise, oh god!, is to act. The minds of the 'arrived' Indians are therefore closed on books.

If this were not so, every 'arrived' Indian would read Rajni Kothari's book State against Democracy. It has just been published. Will it make any headlines? Will political and social analysts ask the prime minister, chief ministers, all other ministers, legislators, judges, generals, managers, bankers, professors and journalists and bureaucrats to read it? I bet they won't. Even if one or two do make some such suggestions, it won't even draw

the attention of those who have superarrived. It is too disturbing a book, as relevent to India of today as Paul Kennedy's is to the present generation of Americans. It warns that India's democracy is mortally unsafe in the custody of the Indian state and its practorian guards. This book will be read and discussed more outside India than within, Americans are deeply concerned about the crisis of the US state. Indians who have arrived have little concern for the crisis of the Indian state. If the Indian state and Indian democracy is to be saved at all, the task awaits the blighted citizens of the benighted Other India.

### FROM THE IVORY TOWER

### Drug Policy: An Outline for the Future

Arun Ghosh

If the greatest good of the greatest number were to inform our drug policy, the government should attach primary importance to common diseases of the poor for which the provision of cheap medicines in adequate quantities should be the main concern.

NO area of Indian economic policy making has been so full of controversy as the drug policy of the government of India. Perhaps understandably so, because this is one sector which vitally affects the health and well being of the people, where multinational firms have been strongly enirenched, and have made large profits, even as the Indian people have been ill supplied with vital life saving drugs. And despite government claims to the contrary, despite the Foreign Exchange Regulations Act-perhaps because of it-the drug policy of this country has failed to take note of the basic problems and needs of this country. Without going into details of the outcome of the government's present policy, it may be useful to examine briefly what the contents of a meaningful, national drugs policy should be.

It is essential in this context to keep in mind the needs of health care in India. For, it must be stated at the outset, the health needs of India are quite different from the health needs of developed countries of the west where most of the basic research on drugs is carried out.

What are the most common ailments that afflict the masses of the Indian people? Enteric troubles (arising from the use of polluted water), malnutrition, including problems (like goitre) arising from the inadequacy of iodine in the diet, leprosy, tuberculosis, malaria, enlarged speen (again arising from malnutrition), eczema and other skin diseases—these are some of the diseases one comes across most frequently among the common people of India. Plus the problems and diseases that arise from insanitary conditions of life. These are unfortunately not among the

prime research concerns of multinational drug firms; the latter are-from their point of view justifiably-concerned with health problems that arise from the tensions of modern life: blood pressure, cardiac ailments, isomnia, cancer, and of late Acquired Immunity Deficiency Syndrome (AIDS). True, these diseases are beginning to permeate among the well-to-do in India, but the millions of the toiling masses of this country are not profoundly affected by these diseases accompanying modern civilisation. Certainly, if the greatest good of the greatest number were to inform our drug policy, the government should attach primary importance to common diseases of the poor, for which the provision of cheap medicines in adequate quantities as well as preventive care should be our main concern. We are not concerned with preventive care in the present context, but with drugs policy, and so we have to think of drugs policy related specifically to the manufacture of cheap and effective drugs for the diseases relevant for the masses.

Perhaps the only disease which modern science has effectively eradicated in India is smallpox. That has been a boon; but can we say the same thing for any of the other major ailments of Indians generally?

Instead, what has been the outcome of the extant drug policy in India? Life-saving drugs are expensive and beyond the means of the really poor, and there is inadequate availability of life-saving drugs in rural areas; the use of brand names and their high pressure salesmanship by multinational drug firms has kept drug prices at abnormally high levels. Partly, of course, the inertia of our doctors has led

to this situation, and there is overuse (to the extent of abuse) of life saving drugs in urban areas even for common ailments. A simple common cold, and there are umpteen antibiotics (of different potencies and spectrum) manufactured by multinational drug companies, prescribed without reference to their debilitating effect on the health and physical resistance of the users. Add the plethora of vitamins—again in potencies far in excess of the absorptive capacity of the human system-as well as outmoded and even harmful drugs (which have been proscribed in developed countries as having dangerous side effects) being marketed freely, and with large profits to the drug manufacturers, and you have the sum total of the problem of drugs availability in India.

What are the elements that we ought to piece together for the formulation of a meaningful drug policy for India?

First, we need an inventory of the diseases that are relevant for India and ensure the pursuit of drug research for the cure of such diseases. We have, for instance, the Central Drug Research Institute at Lucknow and the Indian School of Tropical Medicines at Calcutta and a number of similar institutions, but these are all neglected, starved of funds, and generally demoralised organisations. Wc not only need to restore to such institutions their appointed place, we must make them the focal points of research in medicine. India abounds in medicinal flora; foreign firms take away Indian herbs and other flora and develop medicines from them for sale around the world. There is, of course, no harm in foreign firms engaging in research in herbal medicine, but the benefits of such researches must also accrue to India, which requires that the resultant drugs are available plentifully in India at reasonable prices. Unfortunately, even well known and well-tried herbal medicines-for diabetes, for blood pressure, et al-are now going out of fashion partly because of the high pressure sales campaign mounted by multinational drug firms, and partly because of continuing research for the improvement of these (indigenous) medicines.

Promotion of meaningful research on drugs of relevance is only a starting point; there is no great merit in rediscovering known facts, or researching on matters which are already well-researched. This is particularly relevant for synthetic drugs which have revolutionised the world drug market today. The catch in this connection arises from the oppressive impact of well known brand names protected by

legislation on trade marks. There are three little-known facts in this connection which deserve to be highlighted. First, the scientific or chemical composition of most drugs is no secret; what is secret is the precise manner of 'formulation', that is the proportion of different chemical substances combined in any tablet or capsule. Secondly, the major manufacturers are protected by trade marks which they have registered in respect of their particular brand names.

Finally, the third little-known fact in this context is that many developed countries in the west do not recognise, and do not, therefore, allow any trade marks in respect of drugs. Italy, for instance, does not recognise any trade mark relating to drugs. As a result, any drug can be manufactured in Italy without let or hindrance and all drugs are sold only by their generic names (with reference to their chemical content), and brand names have no relevance in Italy. This makes all drugs in Italy reasonably-priced and does not allow profiteering by any drug manufacturer because of the supposedly greater efficacy of any one particular brand over others.

If, therefore, India were to break out of the shackles of the trade mark restrictions in the matter of drugs—and there is the example of many developed countries having done so—on the ground that in the matter of life-saving drugs, exploitation of the consumer through the use of brand names cannot be permitted, we would be striking at the root of high prices of drugs.

The third plank of policy has to be the banning—as well as strict monitoring of drug manufacturers—of the manufacture of 'unethical' drugs. The sale of drugs proscribed in other countries (because of harmful side effects), the sale of expensive elixirs, vitamins and similar practices by multinational firms, needs to be prohibited by law. This calls for both vigiliance—in regard to the manufacture and sale of proscribed medicines—and strict application and enforcement of 'licensing' conditions in the matter of drugs.

Two points are relevant in this context. First, by diluting to 40 per cent foreign equity, foreign-owned and controlled firms can get out of the Foreign Exchange Regulations Act (or FERA for short). Secondly, many foreign firms in the drug industry have taken recourse to small scale manufacturing activity; they have thereby got out many licensing restrictions.

Foreign controlled firms should be subjected to strict licensing conditions, and made to produce basic drugs rather than concentrate on elixirs, vitamins and the like, no matter whether foreign equity is brought down to 40 per cent. Also, there

should be no retaxation of quality control insofar as drug manufacture in the small scale is concerned. In fact, this is one industry where there should be no restrictions to the entry of even MRTP companies—as they may be in a better position to compete against foreign firms-except that rigid quality control and precautions should be prescribed for all drug manufactures, and the manufacturing premises (and processes) should be regularly inspected and monitored. This is yet another desirable plank of policy in order to prevent the sale of spurious drugs. One cannot afford to take any chances with quality in the matter of life-saving drugs. Indeed, it is this psychological factor of which advantage is taken by foreign drug firms, even though the latter have no hesitation in pursuing unethical practices (c g, by selling drugs prohibited abroad, or of expensive elixirs and vitamins which do not achieve what they are claimed to achieve).

This last mentioned problem gives the cue to a consequential policy, namely, the banning of advertisements which are unethical.

Finally, the last element in a consistent and coherent policy on drugs manufacture periains to the obligations of foreign firms/MRTP companies. All such companies must be compelled to engage in research on the cure of diseases which are relevant for India. This can be done by permitting the manufacture and sale of formulations (by such companies) only as a matching volume to the volume of basic drugs manufactured by them. The latest drugs policy seeks to control the prices of only a few limited basic drugs; the foreign firms make large profits by producing non-essential drugs, unethical drugs, and useless elixirs, etc, in large volume. The result is the inadequacy of life-saving drugs even as the country is drained of foreign exchange by large profit remittances of foreign drug manufactures.

The above package, namely, encouragement of research on drugs of genuine relevance to the masses by our own drug research agencies; compulsive manufacture by foreign and MRTP companies of life saving drugs, and their sale by their generic names (and chemical composition) rather than brand names, by derecognising patent marks (through appropriate legislation); ban on the sale of unethical drugs; and strict monitoring of all manufacturers in regard to quality and hygienic conditions of manufacture (thereby preventing the manufacture and sale of spurious drugs)-these would help India to attain a coherent and useful drug manufacturing programme in the country.

### Meerut 1987: Reflections on an Inquiry

K Balagopal

'The Muslims started it' and therefore the administration decides that it is going to wreak vengeance against the Muslims and ensure that they learn their lesson for good. This is the 'theme' of Meerut 1987.

THERE has always been a surfeit of suffering in this country. Poverty, deprivation and slow death have long since ceased to affect us. But it is perhaps only recently that we have reached a stage where even large-scale and violent death affects us only momentarily. The truth of this degenaration hits you hard when it finds expression in attitudes that contradict accepted notions of ethnicity and ethnic chauvinism. That we are a casteridden and community-ridden people is a doleful self-image that is frequently deplored. Some castes and communitiesthe Muslims for instance—are regarded with particular suspicion in this matter. It is when apathy to suffering contaminates even this alleged cohesion that its full truth hits us in the face.

Activists of the Indian People's Human Rights Commission (IPHRC) who spent days on end in Meerut collecting material for an inquiry into the killing of Muslims by (or with the abetment of) the Provincial Armed Constabulary (PAC) during the May 1987 riots found it strikingly evident that nobody other than those who were directly affected by the killings was in the least interested, barring perhaps some Jamaat-e-Islami leaders. There are many more Muslims in Meerut than live in Hashimpura, Malliana or Mian Mohammednagar, but not one of them appeared to have any interest in the proceedings. In the narrow and foul-smelling lanes of Hashimpura, interest in recounting the past is alive and active, but outside, on the bustling Hapur road with its frequently jammed traffic, it is as if Meerut 1987 never happened. As for Mian Mohammednagar, with the exception of those who are condemned by their professions to possess useless informationtraffic policemen and pliers of hired vehicles, that is to say-nobody else, including persons who are obviously Muslims, even appears to know that there exists such a locality in the town.

It is not that there is no religious or communal solidarity in Meerut; no doubt there is plenty of it, just as there is plenty of sympathy for Tikait's peasantry and plenty of devotion at the Nauchandi mela. But it seems that these feelings, passions and emotions cannot be seen to exist permanently in steady quantities, and in a

mode of being susceptible to instant awakening at will, an assumption that pervades the Gian Prakash report, whose author views religious communities—especially the Muslims—as solid substances made of combustible material that can get crackling at the slightest abetment.

Once this understanding sinks in, one can stop seeing the victims of PAC as 'minority community' and start seeing them as human beings; not abstract human beings that one idealises and weeps over, but real flesh and blood creatures; they are no doubt susceptible to arousal on communal grounds, but that susceptibility is not absolute but is a function of-and is perhaps even determined by-other dimensions of theirsocial life—and of society's life in general—that are in no way defined or delimited in religious or ethnic terms. One can start seeing them preliminarily as people who produce/appropriate/accumulate material wealth in a variety of modes, and on that basis live their lives, dream their dreams, empathise with some people, despise others, and hope for a better life, here or in heaven. The dreams, the empathy, the despise and the hopes are doubtless affected by their religious/ethnic world-view, passions and prejudices, but that impact is not absolute nor necessarily negative or destructive; it is inter-laced with the rest of their identity, and the result is much more complex and much less scary than is feared by people who are forever hesitant that one is pampering minority communalism by opposing majority communalism, or by exposing police partiality during communal riots.

And so, to Hashimpura and Malliana, dominated by thriving artisans and successful traders and transporters, you can find your way without too much difficulty and once there, you can find at least a handful of residents interested and optimistic enough to go around gathering evidence; but to Mian Mohammednagar, populated by the down-and-out and the dregs of society, it is difficult to find your way, and it is even more difficult, once there, to organise much enthusiasm for the inquiry. As for the rest of the 'minority community' of Meerut, it no doubt has its own opinion about new-rich artisans and transporters, about wretches who cannot fend for themselves, and even about the communal solidarity that allegedly overwhelms all of us.

And then it becomes possible to hate the PAC for what it did in Meerut last May. We only need to listen to some of the sixty-odd victims who deposed before the tribunal when it sat at Delhi and Meerut during the second and third weeks of March. Mohd Osman of Hashimpura:

.. on 22.5.87 evening at about 6 p m the PAC, the military and the police arrested me and everyone from our neighbourhood and made us sit on the road side. As I was watching they took away three of four truck loads of people from our mohalla and sent back home the old and the children. Lastly I with about 50 people from our mohalla were left when the PAC commander who had a mike ordered that we all be put in the truck. With me in the truck were Kadir Chaiwalla, Haji Mustaqeen, Haji Shamim, Naeem, Rizwar, Abdul Haq, and others whom I know by face but do not know by name. We were stuffed inside the truck and I was made to sit right inside. That is why I do not know which way the truck went. The truck stopped at one place and two or three PAC men got down and the truck started again. It kept going and I wondered why we had not reached the Civil Lines police station.

The truck took a right-turn and went on a curve when I heard one of the people from our mohalla saying that there is the Muradnagar canal. After this the PAC took one man out of the truck, shot him and threw him into the canal. Then they took out a second man from the truck, shot him and threw him into the canal. and like this the third man was also shot dead. At that time the rest of the people said we should remember god because PAC is going to kill us all. Everyone stood up, at which time the PAC peppered us with bullets and those who were saved were also shot dead and thrown into the canal. One man fell over me and that is why I was not hit by a bullet. Then two PAC men picked me up and I started crying and pleaded with them to spare me because I had two very small children and old parents. At that time a third PAC man came towards me pointing a rifle and I caught the barrel and pointed it away from me and two or three seconds passed in this confusion and he put the gun on my stomach and shot. I shouted that I had been killed and those PAC men thought I was dead and threw me into the canal.

After I was thrown into the canal, I tried to swim but my legs would not work and with great difficulty I reached the bank. I caught the grass and pushed myself to the bank. When the PAC truck went away I came out of the canal and sat down... I reached the metalled road. Two Bihari artisans (who had been shot) were

already there. After that two trucks passed by and I tried to stop them but they did not stop... A little later some policemen came by on a motor cycle. I signalled to them with my hand so they stopped. I told them that the PAC people had shot us and thrown us into the canal and the police said they would return with a jeep. One policeman stayed with us.

The policemen said if I gave such evidence my life would be in danger, so I should say that I had come to my door to see my brother when the riots broke out and I was shot at my back and I do not

know who shot me...

During my treatment at the All India Medical Institute there was a CID man who stayed near me and who would not allow any journalist to speak to me. In this period whoever met me I told them the same story that the policemen had told me to tell because I felt my life was under threat...

This was the infamous 'Gangnehar' (Ganga canal) killing, in which 32 persons were shot dead in cold blood and thrown into the canal. Two other survivors, Zulfikar Nasir and Naeem Ahmed, who escaped death as miraculously as Mohd Osman, also deposed before the tribunal. All the 32 belonged to Hashimpura. There were others from Hashimpura who were beaten to death at the Civil Lines police station and yet others who were beaten nearly to death and died later in remand at Fatehgarh jail. Here is an eye-witness, Parvez Ahmed, who holds a post-graduate degree in economics from Meerut University:

I, Kamaruddin and Shiraj Ahmed were at the residence of Nasruddin, No 9, Bageecha Mohd Hussain. At about 5.30 p m army entered the house and arrested me, Kamaruddin, Shiraz Ahmed, Mohd Nasru and Salim and took us to the main road. We found many other residents of the mohalla were also taken there... Major Pathania and a Sikh captain were in charge of this operation. I was put on a truck, in which Molnuddin was also taken and we were all taken to the Police Lines.

When the truck arrived at the Police Lines, it was surrounded by the PAC and they started beating us while we were in the truck. The truck was open from all sides. So there was a stampede inside the truck as we were moving from one side of the truck to another to save ourselves. Moinuddin fell down and was severely injured in the stampede.

We were detained at Police Lines for about 2-3 hours and then taken to Civil Lines police station. There we were dragged out of the truck one by one and beaten mercilessly. In this beating Moinuddin, Zaheer Ahmed and Meenu became unconscious and were dragged out and kept under a tree. It was around 11 p m at night, I think they succumbed to their injuries and died some time later. In the early morning, around 4 a m, the police

took the three bodies away from that place... Due to severe beating both my legs were fractured...

And an eye-witness to the happenings in Fatchgarh jail, Tajuddin, s/o Shamsuddin, says to the tribunal:

On 22.5.87 at around 5 p m I was arrested from my house (in Hashimpura) along with many people of my mohalla, including Mohammed Salim, Jamil Ahmed, Usman, Hanif Khan and Deen Mohammed. I along with 18 of my mohallawalas including Deen Mohammed, Jamil Ahmed and Hanif Khan were taken in a closed vehicle 10 the Police Lines.

I and my companions were beaten very badly with lathis and hockey sticks as a result of which the condition of some of us, including myself, became very critical.

On 24.5.87 evening 1 and my companions were taken to the Civil Lines police station. From there some of us were sent to Fatehgarh jail and we reached there on the morning of 25.5.87 at about 7 a m.

As soon as we entered Fatehgarh jail the old convicts and the police beat us badly with lathis as a result of which Deen Mohammed died at that time. Hanif Khan and Jamil Ahmed, two people who came to the jail in another truck, and Md Salim died the next day on 26.5.87 at the Fatehgarh jail hospital. I was asked to identify the bodies of Deen Mohammed, Hanif Khan and Jamil Ahmed and I identified these people's corpses.

I saw Mohammed Osman who had come in another truck in Fatehgarh jail, with both legs broken. He died two days later at the Fatehgarh jail hospital...

Thus were the people of Hashimpura killed; some were beaten at the police station and died there or in jail, and some were shot dead and thrown in the canal; the total number comes to about 46. Their fathers, mothers, wives and children who were left behind in the mohallas when these victims were taken away in the PAC trucks, were in the dark for a long time about their fate. And the police chose the cruellest ways of informing them. Here is Shakila Begum, who lost her husband Hanif:

pm the police (including PAC and women police) came. My husband who has been ill for the last three years, was lying inside the house. I asked the police not to take away a sick man but they hit him in the stomach with the butt of a rifle and took him away. I showed them the X-ray photographs and medical reports of my husband and begged them not to take him away but they dragged him out and when our 6 year old grandson obstructed them they dragged him out and snatched my grandson and brought him back.

On the 27th the PAC people came and said Hanif is not well, will somebody come? I said, you have taken away

everybody, who else is there to go? I went with the PAC to the Civil Lines police station where they said we will give you a gift on the eve of Id and gave me my husband's dead body. They called me a bitch and said they had brought this gift for me all the way from Fatehgarh jail.

### ABETMENT AND INCITEMENT

At the other two main areas-Malliana and Mian Mohammednagar-the PAC did not kill directly, but stood by and egged on Hindus to kill Muslims and loot their property. The killings of Malliana took place on May 21, 22 and 23. According to Aijaz Ali Siddiqui, an articulate resident of Malliana, a total of 73 were killed in the different mohallas of Malliana. Some were shot dead by the PAC, and some were killed or burnt alive by rioters, while all of them had their houses and shops looted. The individual accounts given by witnesses are somewhat garbled and incoherent, but put together. they give a clear enough picture. It begins at Chandralok on the 21st, when 20 persons were burnt alive in just one house. Other houses of Muslims and their shops in neighbouring Sabun Godam were burnt and looted, while the police of Transport Nagar police station were busy at the same time searching the houses of the Muslims for illegal weapons. This looting, burning and killing continued on the 22nd in Kishanpura. The residents of the looted and burnt houses ran away to safety, as the police and PAC jawans standing by the roadside 'watched in amusement', as a witness tells the tribunal. Multan Nagar was another mohalla of Malliana that was looted and burnt on the 22nd. By the 23rd, most of the Muslims of Malliana start gathering in mohalla Shekhan, a predominantly Muslim mohalla, for safety. Then an attack takes place on this mohalla that day, under the direct supervision of the police of Transport Nagar police station, and the PAC. 40-year old Murad Ali describes the day's events thus:

... On May 23, all the Muslims of Malliana got worried... Slowly the Muslims of Islamnagar went to Mohalla Shekhan. At that time the police and the PAC were at the Holi Chowk on Baghpat road. At about 2 p m, some more trucks along with officers in jeeps came to Islamnagar. The PAC then distributed itself into three batches and from behind Sanjay colony graveyard and from Mohalla Shekhan they collected near the pond.

At about 2-30 p m when Muslims were returning after reading Namaz, there were sudden cries of 'maro maro! Jai Bajrang Bali!' Hindu rioters armed with weapons came and started looting, killing and burning the houses of Muslims. During this attack the police and PAC stood on the high roof-tops of Hindus' houses, and started firing at Muslims.

... At the time when the Hindu rioters attacked the Muslim basti from the south,

the police and PAC were firing at Muslims from Holi Chowk and advanced towards and entered Mohalla Shekhan. From the western side, the police and PAC fired at Mohalla Shekhan from the 'Gaddhon ki basti'...

... In Mohalla Shekhan the police and PAC entered the houses of innocent Muslims and mercilessly beat them up. Valuables from their houses were looted... The Hindu rioters had the assistance and guidance of the PAC. In Sanjay Colony 9 innocent Muslims were killed and their bodies burnt; similarly in Islamnagar Mahmood and his family members were burnt alive by setting their houses on fire.

When the police and the PAC started entering the houses and killing Muslims, we decided that we will raise our hands and go to the officers near the pond so that they could arrest us. The old, the young, children, women, all of us went to the officers near the pond but the cruel officers did not hear our pleas.

What was the reaction of the officers who were standing at a very strategic spot (one has to visit Malliana to understand this) supervising the burning, looting and killing? According to Aijaz Ali Siddiqui, the police officers told the people to get back to their houses; when the people replied that the houses were burning and they could not go back unless the police helped to put out the fire, an officer replied: "We have not come to put out the fire, but to kill all Muslims". Another officer said: "We will create another Jallianwala bagh here". And a third added, for good measure: "You fellows applauded so much when Imran Khan was hitting sixers, now you face the consequences". This should no doubt be counted among the achievements of Doordarshan in its efforts to spread patriotic national consciousness.

### WHY AND WHEREI-ORE

At the end, having listened to these endless tales of official brutality, one is faced with the inevitable question: how does one make sense of it? The riots begin on May 18 and in the beginning it is Hindus that are mainly killed and their property that is mainly looted, but by about May 22 the riots cease to be riots and become police and paramilitary action against the Muslims. In the first three of four days, according to an estimate submitted to the tribunal by the Jamaat-e-Islami, 51 Hindus are killed, and from about the 21st to the 25th, not less than 295 Muslims are done to death-almost all killed by or under the active supervision of the police and the PAC. The huge disparity in the numbers apart, the significance of this transformation of riots into state terror is to be clearly understood. This certainly did not happen accidentally; it did not happen just because the large majority of PAC men happen to be Hindus. Anyone who is familiar with the mentality of policemen knows that a policeman will never kill without authorisation—general or specific—from quarters that are high enough to protect him from the consequences of the act. The Indian police is essentially a force of cowards and bullies whose instincts are those of mercenaries, not of heroes, even heroes in a wrong cause. Who, then, authorised the transformation of the PAC into the avenging army of the dead Hindus? The Gian Prakash Committee constituted by the UP government should have principally aimed at answering this question, but its report is oriented towards avoiding it. It does not even recognise the transformation in the situation after the first three days. It only says that excessive force appears to have been used-a criminal euphemism for what happened in Hashimpura and elsewhere. The report sounds as if two lathi blows were given where one would have sufficed.

Instead the Gian Prakash report follows a pattern that is by now familiar. It consists of a lot of pseudo-social science analysis topped with denigration of political and communal leaders and hopeful homilies about communal brotherhood. The one thing it scrupulously avoids is the one thing that the committee, by virtue of its composition, should be the most competent to talk about: the abdication by the administration of its responsibility to protect the lives of citizens and instead the assumption of the role of sectarian vengeance. 'The Muslims started it', and therefore the administration decides that it is going to wreak vengeance against the Muslims and ensure that they learn their lesson for good. This is the 'theme' of Meerut 1987, and this is the theme that is entirely missing from the Gian Prakash report.

A second question that any serious analysis must grapple with is: what makes these riots-whichever community it is that commits the first murder—erupt with such apparent spontaneity? The Gian Prakash report considers and rejects the 'economic conflict' thesis: most of the powerlooms of Meerut are owned and worked by Muslims, as indeed are most of the establishments of the artisan type, but the business in the supply of inputs like yarn and the purchase of output like cloth is largely in the hands of Hindu businessmen. The feeling is said to have come up among the Muslim entrepreneurs that they are being squeezed at both ends, but Gian Prakash rejects it as a cause of the riots. He himself plumps for a more familiar explanation, the staple indeed of journalistic analyses of communal riots. The Muslims, especially the large number of immigrant Bihari powerloom workers, are educationally and socially backward and susceptible to communal incitement. The Ram Janam Bhoomi-Babri Masjid conflict was utilised by communal leaders on both sides (especially the Muslims) to create and maintain a climate of communal hatred; and at the slightest opportunity the Muslim communal leaders deliberately provoked, instigated and organised the masses of their community to turn violent. The element of conscious intent is emphasised strongly by the report. Since 'it was the Muslims who

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started it', the explanation apparently fits the facts. But apart from the obvious distortion that the 'explanation', by virtue of what it chooses to concentrate on, leaves out the PAC's role, we may yet be interested in knowing what makes the leaders of the Muslim community advocate mass suicide, and what makes the people accept the advocacy. Are these twin phenomena really all that different from what one observes at a global level in the nation's politics: the seemingly suicidal squabbling, mudslinging, mutual assaults and exposures, and the unscrupulous playing of dangerous games at the top, and the utter disgust with the system on the part of the people which expresses itself in equally suicidal and anarchic explosions at moments of unbearable stress? In other words, to what extent are communal conflicts 'communal', and to what extent are they just a specific expression of the deep-rooted tensions of the polity?

### For a More Dedicated Left Unity

Ajit Roy

The persisting tensions among the Left Front parties in West Bengal after the panchayat elections reflect in part a certain lack of clarity about the need for strengthening the Front and in part a failure to interpret correctly the results of the panchayat elections.

THE acute intra-Left Front tensions generated over the distribution of seats for the recently held panchayat elections in West Bengal have not entirely subsided. On the contrary, the CPI which earlier had seemed to have been more or less satisfied with the CPI(M)'s conduct has recently come out with serious allegations about the latter's breach of faith in about 1,000 panchayat constituencies. The other two discontented allies of the CPI(M) avail themselves of every opportunity to give expressions to their subdued disaffection against the leader of the Front. The basic cause of the persisting maladjustments among the Left Front partners may lie in a certain lack of clarity about both the need for the continuation, indeed strengthening, of the Front as also in the failure to interpret correctly the results of panchayat elections.

The results of the three tier panchayat elections in West Bengal held at February-end open to differing, and even contradictory, interpretations. They may be used to uphold the sectarian view of favouring a 'big brotherly' role for the CPI(M) on the one hand as much as unifying role for consolidating the co-operation with its smaller Left Front allies, on the other.

Despite bitter quarrels over the distribution of seats between the CPI(M) and its two other Front partners, namely Forward Bloc (FB) and Revolutionary Socialist Party (RSP), during the pre-election campaign, all the three parties have increased their tallies in the over 62,000 seats in the three-tier structure. The CPI(M), however, increased its share spectacularly from about 55 per cent of the total to about 66 per cent, while the FB and RSP also have made gains, if only nominally from 2.36 per cent to 2.64 per cent and from 2.74 per cent to 3.01 per cent, respectively. All these gains for the Left Front parties have

been secured at the cost of the Congress(1) whose share of seats has declined drastically from 31.88 per cent to 22.8 per cent. This out-turn may be interpreted in a way so as to strengthen an existing sectarian trend in the CPI(M) that holds that the alliance with smaller Left parties is no longer vital for taking on the Congress(1) in West Bengal.

The fact that a head-on collision with the CPI(M) notwithstanding, both the FB and the RSP have not only held their ground, but also improved their positions, however nominally, may, on the other hand, be put forth in support of a contrary view that recognises the independent strength of the parties and favours a more flexible alliance policy within the Left Front.

In view of the fact that party-wise distribution of votes is not yet known, there is certainly some room for divergent opinions on this score. But if the question is discussed in a wider framework, the need for the continuation of widest possible unity of the Left forces stands out clear and sharp. The reasons may be stated briefly as Iollows:

First, it will be foolhardy to presume that the voting pattern in the local body elections like the panchayat and the more explicitly political contests as in assembly and Lok Sabha elections will be exactly identical. Normally, 'the patterns are somewhat different.

Secondly, the last few rounds of assembly and Lok Sabha elections have revealed that the CPI(M) and the Left Front parties have a wider mass base in the rural areas of West Bengal than in the urban and, for that matter, industrial areas. It will therefore be extremely unwise to see the panchayat polls as the forerunner of the general elections for the assembly or the Lok Sabha which will

have to embrace both the urban and rural areas

Further, whatever gains in the popular votes may have been made by the CPI(M) in the panchayat elections, there is no objective basis to take these gains as something permanent, as fluctuations of some order can never be ruled out. It would be absolutely unwise not to get an insurance against the unfavourable swing, in the form of support from the other Left-oriented parties.

A historical view of the Left parties' electoral ascendancy in West Bengal brings out a few valuable lessons for all of them!

First, so far neither of the two 'super powers', namely, the Congress(I) and the CPI(M), has ever gained a plurality of the popular votes in West Bengal. Even in the blatantly rigged 1972 assembly polls, the Congress had got less than 50 per cent of popular votes. While the Congress enjoyed sort of a monopoly of power in the pre-1967 period, it had secured 60 per cent or more seats with 39 per cent, 46 per cent and 47 per cent of popular votes in the

first three general elections successively.

Inversely, the CPI(M) has derived the benefit of avoidance of a division of the Left votes as it secured 58 per cent and 64 per cent of the seats with 38.49 per cent and 39.29 per cent of the popular votes in the assembly elections in 1982 and 1987 respectively. The gains of the smaller Left parties, FB and RSP, from the alliance with the CPI(M) are also unquestionable, though of a much smaller dimension: in 1971 after the disintegration of the second United Front in West Bengal the FB and RSP had got 18 and nine seats with 2.70 and 0.63 votes respectively on their independent strength. In 1987, as front allies their strength rose to 26 and 16 seats with 5.84 per cent and 3.94 per cent of votes respectively.

Electoral statistics apart, there are other, and more weighty, arguments for a closer Left alliance.

First, the communists cannot affort to forget that the FB and RSP, more particularly the first, represent in the eyes of the Bengali middle class a certain linkage with the nationalist traditions. A separation between them and the communists may appear to these sections as the snapping of this link.

Secondly, and much more importantly, the recent developments on the national political stage, particularly the ominous portents of the centre's manipulation of the Tripura polls, the 59th constitutional amendment and so on, should warn all Lefts and democrais that the next round of elections, if and when held, may not be a simple ballot box exercise and that it may call for a far wider mass activisation to defend democracy from illegal and unconstitutional machinations. All this really calls for a more dedicated Left unity!

### **Abuse of Press Power**

In September last year The Telegraph published a report alleging that Biplab Dasgupta, a distinguished economist, had been guilty of financial malpractices while at the London University's School of Oriental and African Studies and had been relieved of his charge. Last month the Press Council of India, in response to a complaint by Dasgupta, has held the newspaper to have violated journalistic ethics.

THE Press Council of India last month handed down what must be one of its severest and most categoric indictments in a complaint against a newspaper. The Council found the newspaper guity of having conducted "a systematic campaign of villification" against the complainant and indulged in "character assassination". What makes the case noteworthy is that the newspaper in question is no small-town yellow rag, but a pillar of the country's press establishment, The Telegraph, of the Ananda Bazar group of Calcutta.

In a report published under the caption 'London Varsity Sacked Dr Dasgupta for Misuse of Grant in 1972' in its issue of September 13, 1987, The Telegraph alleged that Biplab Dasgupta, a distinguished Indian economist with an international reputation in the areas of labour studies and agricultural economics, had been relieved of his research fellowship at the Indian University's School of Oriental and African Studies because of "financial malpractices". According to the report published by the newspaper: "Dr Dasgupta had been given a substantial sum of money as advance for the field work of his research fellowship, which included visiting India. He did not give an account of how he had spent this money and his research fellowship was cancelled as a humiliating punishment for this misdemeanour.' The report also snidely informed readers that later, after joining the University of Sussex, Dasgupta "had bought a house', implying that the money for the purchase must have come from the earlier defalcation. This report had itself followed upon two earlier reports in The Telegraph on September 5 and 6 charging 'pro-CPM academicians with siphoning. off Calcutta University funds'. Leading the list of these academicians again was Biplab Dasgupta who was supposed to have an unaccounted advance of Rs 50,000 from the University against his name.

Biplab Dasgupta has initiated criminal proceedings against *The Telegraph* in respect of the reports of September 5 and 6 and the reports is therefore sub-judice

and cannot be commented upon. In respect of the report published by *The Telegraph* on September 13 Dasgupta chose, however, to file a complaint before the Press Council. An enquiry committee of the Council examined the complaint and its report was approved by the Press Council on March 22.

The enquiry committee found every one of the allegations contained in The Telegraph report to be "baseless and . . . without any justification". The evidence produced by Dasgupta before the committee (in the form, inter alia, of letters from the then and present directors, the secretary and the finance officer of the School of Oriental and African Studies), in the committee's opinion, "clearly belied" the allegation of misappropriation of funds. Similarly, the statement that Dasgupta had been sacked by the School of Oriental and African Studies of the London University was shown to be false as he had served the full term of his contract. The committee found that "before making such serious allegations the paper did not care to verify the facts". Similarly, "the allegation regarding purchase of a house by defalcating funds appears to us to be a cheap jibe ... " In other words, the whole report was a piece of fabrication by The Telegraph's correspondent in London, Ashis Ray. Not surprisingly, the committee was categoric in its conclusion that the allegations made in the news item were "in the nature of personal attacks on the complainant" and amounted to "character assassination". The Telegraph, the committee held, had been guilty of "violation of journalist norms and ethics".

The violation of journalistic ethics on the part of *The Telegraph* in fact extended beyond the publication of the scurrilous and false report. When Dasgupta sent a rejoinder to the paper refuting the allegations, the paper refused to print it. Before the Press Council the newspaper advanced the obviously irrelevant plea that it had not printed the rejoinder because there had been a demonstration allegedly by Dasgupta's supporters at *The Telegraph* office. As it turned out, the plea was not

merely specious but also false, since Dasgupta's rejoinder had reached the newspaper on September 16 whereas the alleged demonstration had taken place only on the 23rd. The paper meted out the same treatment to a joint letter sent to it for publication by John Toye and Michel Lipton of the Institute of Development Studies, Sussex, and Terry Byres of the School of Oriental and African Studies.

The Telegraph's attitude to the Press Council's enquiry was equally cavalier. The editor chose not to appear before the enquiry committee or even file a written statement. The committee held the "lack of co-operation on the part of the newspaper" to be "indeed unfortunate" and expressed "its displeasure at the conduct of the newspaper".

Biplab Dasgupta's political position as a member of the CPI(M)'s central committee and as a joint secretary of the All-India Kisan Sabha, the party's peasant front organisation, evidently provided the motivation for the attacks on him. The focus on 'pro-CPM academics' in *The Telegraph*'s reports on the alleged siphoning off of funds of the Calcutta University is a clear enough pointer in this regard.

### Correction

In 'Some Aspects of Cultural Reproduction and Pedagogic Communication' by Meenakshi Thapan (March 19) the following references were inadvertently omitted from the list of references:

Marx, K, 1887 (1974), Capital. A Critical Analysis of Capitalist Production, Volume 1. Moscow, Progress Publishing.

Panofsky, E, 1951, Gothic Architecture and Scholasticism, Latrobe, Penn, The Archabbey Press.

Swartz, D, 1981, 'Classes, Educational Systems and Labour Markets: A Critical Evaluation of the Contribution of Raymond Boudon and Pierre Bourdieu to the Sociology of Education' in European Journal of Sociology, XXII, No 2: 325-353.

Walker, J C, 1986, 'Romanticising Resistance, Romanticising Culture: Problems in Willis's Theory of Cultural Production' in British Journal of Sociology of Education, Vol 7, No 1: 59-80.

Willis, P, 1981, 'Cultural Production Is Different from Cultural Reproduction is Different from Social Reproduction Is Different from Reproduction' in Interchange, 12 (2-3): 48-68.

 1983, 'Cultural Production and Theories of Reproduction' in L Barton and S Walker (eds) Race, Class and Education, Lawes, Falmer Press.

The omission is regretted.

Ed.

### Why Some Indian Villages Co-operate

Robert Wade

The conventional picture of the Indian village presents it as an atomised mass, composed of individuals who are not in any organised fold except the family and the extended kin groups. A recent study suggests a more complex picture.

THE conventional picture of the Indian village presents it as "an atomised mass, composed of individuals who are not in any organised fold except the family and the extended kin-groups which form the sub-caste", in the words of the sociologist V R Gaikwad [1981: 331]. A number of men are usually regarded as 'big men', as being in some sense first in the village. But there is no clearly defined social institution separate from state authority where activities of a 'public' nature are carried out, no centre of community mangement other than the bottom levels of the state apparatus, and no machinery for raising revenue for village-wide purposes other than state-sanctioned taxation.

A recent study suggests a more complex picture. Thirty-one villages in one small part of upland south India were examined. All are irrigated from a large governmentoperated canal system, though all have some rainfed as well as irrigated land. Within the sample, a significant number of villages have institutions for the provision of public goods and services, which are autonomous of outside agencies in origin and operation. The scope and amount of collective action undertaken through these institutions is greater than has been reported previously for Indian villages. On the other hand, a majority of the 31 villages do roughly fit the 'atomised mass' characterisation. Only a few miles may separate a village with a substantial amount of corporate organisation from others with none.

The corporate villages have five main institutions:

- a village council, quite distant from the statutory panchayat of local government legislation, which exists only on paper;
- (2) a village fund, distinct from local government money;
- (3) a work group of 'common irrigators', employed by the council to distribute water between and below the outlets of the irrigation channel;
- (4) a work group of village field guards, employed by the council to protect the crops from the depredations of livestock and thieves;
- (5) a general meeting of all the village's

cultivators, held at the start of the agricultural year and subsequently as circumstances require

In addition to the central services of water distribution and crop protection, the council organises the supply of other public goods, such as repair of village access roads, repair of drinking water wells, ridding the village of monkeys (when the monkey population increases to nuisance level), donations to help meet the cost of a new primary school building, or to pay for a building where sick animals can be treated by a veterinarian, and so on. All these services except water distribution are financed from the village fund. and the fund is fed by a variety of incomeraising devices administered by the council.

One such village, with a population of 3,000, has a council of nine members, a fund of roughly Rs 10,000 a year in the early 1980s (as against a daily agricultural male wage of Rs 4), 12 common irrigators to administer water distribution over 1,200 acres of rice, and four full-time field guards supplemented by another four near harvest time. The figures cited later are also from this village, but the broad structure of the arrangements is remarkably similar in all the villages that have them.

Revenue for the village fund comes from the sale of council-sanctioned franchises. The council restricts the right of access to a resource or profit opportunity and then sells the right to an individual or small group. The money goes to the fund, while the individual or small group keeps the difference between what is paid for the franchise and what is earned from it. The most important franchise is for access to the stubble left behind on the fields after the first (wet) season harvest. Outside shepherds living in the hills on either side of the irrigated tract want to graze their sheep and goats on this stubble and water their animals from the canal. The corporate villages charge them a fee for this access, and in turn ensure that the group of shepherds who pay the fee have exclusive access. Once in the village, individual shepherds bargain with individual farmers as to whose fields they will fold their flock on at night. The

farmers want the animals' dung, the shepherds want to recoup some of the entry fee.

A variety of other franchises is used. Some villages auction the right to catch fish in the village tank, or the right to collect dung dropped in public places, or the right to collect tamarind nuts. Some auction the right to collect a commission on all grain sales from the village, or the right to sell liquor.

In this way, the free rider problem is not so much solved as bypassed. Individual villagers are not put in the position of being asked to make a contribution for the provision of public goods. The main exception concerns the common irrigators. The common irrigators are paid by a direct levy on each irrigated acre, decided by the council. Why is this not vulnerable to free riding? The collection of the levy is made straight after the harvest, the one time of year when each irrigator patently has no excuse to delay payment in kind. More importantly, common irrigators not paid one year can damage the nonpayer the next year. The withdrawal of common irrigator services from one individual's land-in effect, cutting off water supplyputs the individual's crop at risk. Compare the position of the field guards. Because they work throughout the year, they cannot be paid only at harvest, but must be paid in instalments. If they depended on collecting levies from crop owners through the year, their payment would be vulnerable to farmers' saying that they did not have the payment on hand. And any one individual could count on benefiting from the general discipline over livestock and thieves which the presence of the field guards produces even if he did not himself contribute. He could not be so easily damaged as in the case of refusal to pay the common irrigators. Hence the field guards have to be paid ; from the village fund, while the common irrigators can be paid by direct levy, thereby reducing the pressure on the council to raise more revenue. Likewise, maintenance of the field channel network below each outlet is left to the farmers to arrange rather than the village council and fund; because the common irrigators can simply refuse to send water down a badly maintained channel, which would make their own work more difficult.

How are rules of water distribution and animal grazing enforced? Farmers who try to interfere with water allocations are liable to be reported to the council by the common irrigators, then brought before the council and made to pay a fine During a drought, when the common irrigators, are 'spreading water like money (to use a village phrase), the fines may run to Rs 20 to 50 per offence. But the main

### NOTICE

It is hereby notified for the information of the public that Glindia Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking. Brief paniculars of the proposal are as under-

1. Name and address of the applicant. Glindia Limited.

> Dr Annie Besant Road, Bombay - 400 025.

2. Capital Structure of the applicant organisation

Authorised Capital-

Rs. 21,00,00,000 2,10,00,000 shares of Rs. 10 each

issued and Subscribed-

2,00,00,000 Equity Shares of Rs 10 each Rs. 20,00,00,000

3 Management Structure of the applicant organisation indicating the names of the Directors, including Managing/

Whole-time Directors and Manager, if any.

Glindia Limited is managed by a Board of Directors

comprising the following: Mr. N M. Wagle - Chairman

Mr J. S. Khambata - Managing Director

Mr. H. B. Dhondy

Mr. William Ifan Glynn-Williams

Mr. Akbar Hydarı Dr. H. McCorquodale Mr. C. B. NEWCOMb Dr. H. M. Smalley Mr. C. S. Swaminathan Mr. S. S. Marathe Dr. G. J. Blaker

4. Indicate whether the proposal relates to the establishment :

of a new undertaking or a new unit/division.

Manufacture of new articles deemed to be establishment

of a new undertaking.

Same as in 2 above.

5 Location of the new undertaking

At the Company's existing formulations factory at Maharashtra Industrial Development Corporation Estate, Ambad, Nashik,

Maharashtra.

Capital structure of the proposed undertaking.

7. In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:

(i) Names of goods/articles

(iii) Estimated annual turnover

8. In case the proposal relates to the provision of any service, : state the volume of activity in terms of usual measures such

as value, income, turnover etc 9. Cost of the project.

(II) Proposed licensed capacity

Cephaloridine Injection.

3.06 million vials.

Rs. 765 lakhs per annum.

Not applicable

10. Scheme of finance, indicating the amounts to be raised from

(a) Retained Earnings (b) Borrowings by way of Debentures: Not less than

(c) Borrowings by way of loans/acceptances from Financial Institutions: Not more than

the proposal and indicating the nature of his interest therein.

The Capital cost of the project is estimated at Rs. 195 lakhs.

> Rs. in lakhs 53

89 53

195 Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on

GLINDIA LIMITED

Registered Office: Dr. Annie Besant Road, Bombay 400 025.

each source.

M. B. Kapadia, COMPANY SECRETARY

Dated this twelfth day of April, 1988.

penalty is the loss of reputation when the offender is dressed-down in front of the council and onlookers. Animals caught grazing a standing crop are taken to the village pond, where they remain until the owner pays a fine. When only a few animals are involved, the fine is a flat rate per head, Rs 2 during the day, Rs 4 during the night. The field guards collect and keep the fine money, dividing it equally amongst themselves (so the arrangement contains a built-in incentive for enforcement). If large numbers of animals are involved, the council decides the fine cascby-case. It may run into hundreds of rupees. The field guards also collect these big fines and keep 25 per cent for themselves, the balance going to the village fund. The fine is intended only to deter. In most villages the crop owner is not compensated, to avoid chronic dispute about how great the damage is.

Of the 31 villages, eight have all five of the corporate institutions, 11 have some but not all, and 12 show no trace of any of them. In the 12 'uncorporate' villages, irrigation water is an open-access, noproperty resource, though informal turnsharing may develop along some field channels. Unco-ordinated groups of shepherds enter the village's land at will and negotiate individually whose fields they will fold their flocks on. Lacking means of raising revenue, these villages have no village fund and consequently cannot supply themselves with the other public goods that the corporate villages provide in addition to water distribution and crop protection. Repair of field access roads is left to the initiative and funding of those most inconvenienced by the potholes; and the same for repair of drinking water wells or school buildings. Which in practice means that these things often do not get done.

Why the difference between villages? It is not because of differences in norms or values, for the villages are located within a small enough area for culture to be uniform. It is rather because of differences in net collective benefit.

The corporate villages are located towards the tail-end of irrigation channels (roughly, in the bottom one-third of the channel length, where a channel may be anything from 5 to 20 miles long). This means two things. First, water is scarcer than in villages higher up. Second, more of the soil is black rather than red, because in the semi-arid tropics black soil areas tend to be lower down a catchment than red soil areas. Black soils are more water-retentive than red soils and permit a wider range and higher yield of rainfed crops. Black soil villages thus have a more abundant and more varied supply of stubble after the harvest of the rainfed crops,

More shepherds want to bring their animals in. With unrestrained accessatoo many might come. Also, with more shepherds wanting to come, the opportunity for earning money with which to pay for field guarding is greater. And the risks of crop loss are higher, because in the more varied black soil cropping pattern large areas of stubble from the early harvested crops will become available while later harvested crops are still standing. With higher risks of crop loss, the premium on regulation of the livestock is also higher. This provides the impetus to field guards and a sanctioning village council in the black soil areas, while shepherds' willingness to pay for black soil stubble grazing provides one way to help linance the field guards. This causality is then strongly reinforced by irrigation scarcity, which imposes its own risks of conflict and crop loss and so increases the premium on avoiding an anarchistic scramble for water.

In villages higher up a distributory, both conditions change. Irrigation water is less scarce, and fariners are more likely to be able to get what they want individually by enlarging the outlets, breaking the banks or other such actions. The supply of stubble is smaller and lasts for a shorter time after the rains stop, so sliepherds are less interested in grazing there. And farmers want the animals' dung less, because the higher up villages put more of their land under rice, while sheep and goat dung is wanted for nonrice crops. So both sources of conflict and crop loss are stronger in villages lower down a catchment than in villages higher up.

The existence of corporate organisation in the lower villages over many decades does not seem to be sensitive to the standard sociological variables, such as easte structure, factions, and the like. Common need, or demand, seems to be an almost sufficient condition (within the limits of the sample). Free rider problems remain and they do shape the organisation of the supply of public goods; but they do not generally destroy it.

These results suggest that fairly sophisticated institutions for collective action might be more common in the Indian countryside than is generally thought. But they also suggest that such institutions are only likely to be found where people have their backs to the wall—where the risks of social conflict and grop loss on account of water scarcity and animal depredations are high (up to some upper limit, above which the probability of collective action may fall). Specifically, the results suggest that a local institutionalised response to such tasks as the repair of access roads, drinking wells,

school buildings and the like is likely only where an organisation already exists for directly cropl protecting purposes. Once such an organisation exists, it can be extended to include the other less immediately and individualistically urgent tasks. But an organisation to accomplish only the latter is likely to be fragile.

Evidence from other parts of the world shows that it is not rare for villages to cooperate to provide themselves with various kinds of public goods and services over a long period of time. On the other hand, the dismal frequency of degraded grazing commons, despoiled forests, over-exploited groundwater, depleted fisheries, and tailend problems in irrigation systems, show that local collective action by no means always works.

What can be said about the general conditions in which locally-based collective action is more or less likely? In the extreme case—many users, unclear boundaries of the resource, users scattered over a large area, rules easy to break without being noticed-degradation of a common property resource or non-maintenance of an infrastructural asset can be confidently predicted. In the Indian villages, on the other hand, the users are residents of single nuclear villages, the resources lie close at hand, rule-breaking is not hard to detect, and the wealthier families of each village have their land in scattered parcels, giving them an interest in what happens over the whole area. More generally, to judge the likelihood of viable collective action one needs to know about characteristics of the resources or assets, the users, the relationship between users and resources, the technology, and several other factors.

### Resources or assets

\* The smaller and more clearly defined the boundaries of the resource or asset, the better the chances of success.

### Technology

- \* The more indivisible the maintenance technology (up to a limit) and the higher the costs of exclusion technology (such as fencing), the better the chances of success. Relation Between Resources and Users
- \* Location: The greater the overlap between the location of the resource and the residence of the users the better the chances of success.
- \* Users' demands: The greater the demands (up to a limit) and the more vital the resource for survival the better the chances for success. Activities relating to the defence of income are more likely to sustain collective action than activities relating to income augmentation.
- \* Users' knowledge: The more knowledge users have about sustainable use the better the chances of success.

Users

\* Size: The smaller the number of users the better the chances of success, down to some minimum number below which the tasks to be performed by such a small group cease to be meaningful.

\* Boundaries: The more clearly defined the boundaries of the set of users the bet-

ter the chances of success.

\* Relative power of subgroups: The more powerful are those who benefit from collective action and the weaker are those who can find alternatives (such as private provision), the better the chances of success.

\* Extent of groupness among the users: The more the users are concerned about their social reputations the better the chances of success.

Noticeability

\* The more noticeable is free riding or cheating on agreements the better the chances of success. Noticeability is a function partly of how clearly the boundaries of the resource and the group are, how closely the users live to the resource, and how large is the set of users.

Relation Between Users and the State

\* The less the state wishes or is able to
undermine locally-based authorities and
the less it can enforce private property
rules or provide maintenance of assets
from its own budget, the better the
chances of success.

This list is a starting point, no more. By

helping to identify the kinds of factors in a particular situation which make collective action more or less viable, it helps to steer a middle course between the optimism of those who say that people's participation is mainly a matter of showing people that they could all gain if they cooperated, and the pessimism of those who say that without privatisable benefits little collective action is possible.

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In 1978 the CPI(M) captured 54 seats and the TUJS got the rest. The Congress drew a blank, though a year earlier, in the 1977 general elections, it bagged both the parliamentary seats. In the 1983 assembly elections the CPM's strength fell to 36 and this time it has managed only 27 seats and the RSP got one seat. There are several factors behind this fiasco and it is worth analysing them.

### ROLE OF ARMY

One major factor attributed to the Congress victory was the deployment of the army a few days before the elections. It was said that the people of Tripura were fed up of the incompetence of the state government in tackling the violence unleashed by the TNV and they felt that the centre was genuinely interested in solving this problem. However, an examination of the results show something quite different. The tribals have by and large voted for the CPI(M) and so have the people in the areas which had been attacked by the TNV. The president of the TUJS, Shyama Charan Tripura, lost to the CPI(M) in a constituency which was borne the most severe attacks from the TNV. In fact, most of the TUJS candidates won due to the support they got from the Bengalis rather than the tribals. Deployment of the army had very little effect in changing the voters preferences in the rural areas. However, its main impact was felt in and around Agartala where the Congress literally swept the

Over the past year or so the law and order situation in the state's capital had deteriorated. Clashes between the Congress and CPI(M) increased and murders became a routine affair. The administration appeared very lax in tackling this problem. Arrests were rarely made and those arrested were soon released. What is surprising is that the CPI(M) supporters were usually the victims, yet the administration remained indifferent. For instance, a pro-CPI(M) lecturer of MBB College was murdered in an open street some time back. His assailants were identified but the police did not make any arrests. The urban middle class was naturally disturbed at this state of affairs and the centre's action may have set their fears at rest temporarily.

A major drawback of the CPI(M) was that it was unable to carry along the other constituents of the Front with it. The CPI, RSP and Forward Block have for long-felt neglected. Their views were rarely solicited. Even while distributing seats, the CPI(M) set aside the left-overs for the others. During the election campaign, the CPM hardly invited the other constituents to join them. The cadres of these parties

### Tripura Elections and After

Sharit K Bhowmik

For the CPI(M), the post-election situation in Tripura is none too heartening. While the tribals in the rural areas are still loyal, the urban middle class where the party has been trying to build a base appear to have rapidly switched loyalties.

THE defeat of the Left Front in Tripura came as a shock to most democraticminded people. Here was a government which was different from others. Its ministers had freely mixed with the people and had tried to understand their problems. They were simple people who shunned any form of ostentatious behaviour (unlike their counterparts in West Bengal who have since long given up any pretentions of simplicity). Their doors were always open to the people. In fact, one of the striking changes in Agartala after the new government took over was in the secretariat. The area is virtually cordoned off with scores of CRPF men around. Metal detectors have been fitted in all the entrances and no visitor is permitted inside without prior appointment.

The initial reaction to the defeat was

that the elections had not been conducted properly. There have been allegations of large-scale rigging in several places. The obvious question here is, how could the opposition rig the elections? At the same time one does find a few cases where the Congress-Tripura Upajati Juba Samiti (TUJS) alliance candidates lost initially by several hundred votes but got elected by slim margins after a recount. The allegation of large-scale rigging may be exaggerated, but in an evenly matched election as this one, one or two cases can turn the tables. The Congress-TUJS alliance has a wafer-thin majority of 31 seats in a 60-member assembly. The Left Front has 28 seats and election to one constituency will he held shortly.

At the same time, it is quite evident that the CPI(M)'s strength has been declining.

naturally felt slighted and became inactive. For instance, in Charilam and Golaghati constituencies of west Tripura, the CPI was excluded from the election committees even though it has some base in the area. It therefore, did not come as a surprise when the CPI(M) lost both the seats.

The CPI(M) unfortunately overestimated its strength had regarded the other constituents of the Left Front as hindrances. Had it not behaved in this sectarlan manner, the marginal votes which these parties control could have added up to its victory. The CPM in West Bengal should learn a lesson from the experience in Tripura. Sectarianism and the 'big brother' attitude only leads to the weakening of Left forces.

### POST-ELECTION SITUATION

Optimists argue that the people of Tripura will soon realise their folly and the Left Front will be back in power in the next election. After seeing the type of ministers inducted into the present government one can well believe that this defeat is a temporary phenomenon. Several of these ministers are well-known musclemen in their areas and quite a few have criminal cases, such as murder and attempted murder, against them. The opposition, on the other hand, is more powerful than before, with people like Nripen Chakravarty and Dashrath Deb in the lead.

The outcome will depend on how soon the CPI(M) manages to reorganise its cadres and launch movements. In this regard, the present indicators are not very heartening. The CPI(M) appears to be demoralised and its strength seems to have depleted. Though the tribals in the rural areas are still loyal to their party, it is the urban middle class which has rapidly switched its loyalties. Over the years, the CPI(M) has been trying to build up its middle class cadres. When it was in power, its front organisation, Co-ordination Committee of State Government Employees (known as Samannoy) had the support of around 80 per cent of the government employees. Recent developments show that Samannoy has lost much of its support. This was clearly visible from the negligible impact the Bharat Bandh of March 15 had in the government offices. Most of these offices functioned normally because Samannoy had instructed its members to attend their offices but advised them not to break the picket line in case there was picketing. This was ironic because the people who had been asked to attend their offices should have been picketing. There was therefore, very little resistance and only a few offices were picketed. Even in these cases, the volunteers were whisked away by the police as

soon as they congregated. Samannoy was obviously not confident about taking a more militant line.

The presence of the army is causing a lot of tension in the interiors of the state. Tribal youths in the villages are the first victims of the combing operations carried out by the army. In most cases all young tribals in the village are rounded up and treated as potential TNV supporters. They are frequently harassed and tortured to extract information. Women are feeling insecure due to the reports of molestation by the army. In most villages tribals rarely move out of their homes after sunset. Scores of tribal women come to Agartala every day to appeal to the TUJS ministers to do something to change the situation. The ministers are helpless because the chief minister has made it quite clear that the army will stay till the TNV menace is wiped out.

The present government's attitude is alienating the tribals but this hardly bothers the Congress. The tribals have traditionally supported the Left while the Congress had tried to mobilise the Bengalis through chauvinism. During the last thirty years or so the tribals, who happen to be the original inhabitants of the state, have been reduced to a woeful minority. The 1981 census showed the tribals constituted only 28 per cent of the population whereas till 1951 they were the majority. The Congress seems to be keen on increasing its influence among the' Bengalis and it has been consistently taking stands which go against the interests of the tribals. In 1973 the Congress government declared Bengali as the state language, overlooking the demand of the tribals to give an official status to their lingua franca, Kok-borak. When the Left Front was voted in to power 1978, it made Kok-borak an offical language. In 1979.

when the Left Front government declared that the tribal areas of the state be constituted as an Autonomous District Council (ADC) under the Seventh Schedule of the Constitution, the Congress organised protests and later boycotted the elections to the ADC. In 1982 the Left Front started a campaign for an amendment of the constitution so as to include Tripura in the Sixth Schedule. This would grant greater autonomy to the tribals. The centre finally conceded this demand in mid-1984. The state Congress however, reacted strongly against this move and it even organised a state-wide bandh as a protest.

In this light it is quite obvious that the Congress-TUJS alliance is an opportunistic one. The TUJS prides itself in being the representative of the tribals but it has no compunctions in aligning with an antitribal party. Its leaders argue that the party needs the support of a national party to protect the interests of the tribals. The only other major national party in Tripura is the CPI(M), but the TUJS is averse to having any relations with it. This animosity dates back to 1973 when the TUJS broke away from the CPI(M) and constituted a separate political party. The TUJS was formed in 1967 as the youth wing of the CPI(M) supported Upajati Gana Mukti Parishad. The common factor binding the Congress-TUJS alliance is that both parties are anti-CPM. How long can this be the basis of an alliance is anybody's guess.

The Congress is quite confident that it will be able to increase its support among the Bengalis through its chauvinistic line. The Left parties have to mobilise the people to confront this dangerous trend. The CPI(M) cannot hope to do this on its own, without the support of the other Left parties. One only hopes that the CPM adopts a less sectarian position in the future.

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**■**davp 87/668

### Poland: The Reform That Never Was

Ramnath Narayanswamy

The emphasis in the present set of reform measures is mainly centred around gaining social acceptance of the changes with an important role being accorded to workers' self-management, but linking independence to greater responsibility. But the country seems to be caught between conflicting forces of fossilisation and militarisation, making any far-reaching changes highly improbable.

DISCUSSIONS on economic reform which began among Polish economists and planners after 1956 ranged from according an entirely free hand to market forces (though this was never popular) to other more restrained proposals limited to reforming the system of centralised planning. But due to several (and largely, political) reasons, there was neither a comprehensive programme nor an effective adoption of reform. There were other reasons as well: "One was the isolation and unpopularity of the communist leadership in a country deeply Catholic and traditionally anti-Russian. The other was the adoption of exceptionally unsound policies for investment, prices and incomes, policies which would have demolished even the best logical scheme for reform of the economic mechanism."1 These factors have contributed to make Poland a unique exception when compared to its centralised neighbours in socialist Europe: it is the only country in eastern Europe where the process of economic reform was directly linked to a widespread social and political upheaval for renewal (odonwa), even if that tempestous storm has since receded.

The first Polish attempt to reform the economic mechanism came after the middle fifties amidst popular outbursts against the difficulties caused by a policy of over-investment, as also against the government's all too willing disposition to tow the Soviet line. As a result, workers' councils were created in 1956 with a view to generating a sense of participation in the functioning of enterprises. The election of Gomulka further raised public hopes in the direction of efficient economic performance, but these hopes faded in less than four years. The reform proved to be nothing more than a cosmetic operation; the new councils (the first of its kind in eastern Europe) continued to remain formal organisations with limited powers. Investments were once again stepped up and this was followed by a further tightening in other spheres. The attempt by Gomulka to increase food prices in December 1970, led to spectacular expressions of mass discontent culminating in Gomulka's resignation

and his replacement by Gierck, who implemented what later proved to be a disastrous policy of increasing both investment and consumption. While growth rates did increase, this was offset by an increase in foreign indebtedness and inflation. By 1976, it was time to start afresh.

The intervening years (1958-1970) saw little by way of substantive reform of the economic mechanism. Instead, there were several unimportant changes of an organisational and administrative nature which were generally "without precise direction or sense of purpose".2 It was only during the early seventies that Polish planners began to make concerted efforts to translate their dissatisfaction with the centralised model of the Soviet-type into a critical appreciation of the Hungarian and East German experience with reform. "The reforms, then, were introduced at a time of economic disturbance, when major shifts in economic policy were being introduced, accompanied by a deterioration in the balance of payments and dis-equilibrium on the home market."3 In the middle seventies, this led to a reform of industrial planning based on the wielkie organizacge gopodarcze (WOG) (large economic associations) which is the Polish version of the Soviet obyedineniya. The main objective consisted in achieving effective decentralisation but in a manner where price control would demain in the hands of the centre. But the projected reform, at least in the vision that underlined it, also envisaged a certain degree of flexibility in the extent of autonomy of the WOG, and this was to be dependent on the kind of industry and the relative scarcity of its products. In some cases, therefore, the WOG was virtually free to determine its produce through contractual agreements with its clients, while in other cases, it could directly participate in foreign trade transactions.

The Polish reform of industrial planning was thus a compromise between the Hungarian model of decentralised planning and the East German attempt to improve the centralised model. As Nove observed: "The WOG reform contains an interesting attempt to control wages, by

linking the permissible rate of wage increase to increases in net output or value added". The influence of the East German experience could be discerned in the vertical integration of establishments which came very close to the kombinaten in the GDR, while the influence of the Hungarian reform was evident in the considerable flexibility governing the decision-making process at the enterprise level, which included such areas as investment, price fixing, wages and international transactions.

Ironically enough, the entire project remained an unfulfilled dream: the strains caused by the investment boom of the early seventies imposed severe restrictions upon the WOG's capacity to take decisions relating to decentralising investment. In addition, the growing foreign trade deficit with the west which led to the imposition of greater controls over the import of selected inputs, coupled with rapid price fluctuations in the world market, greately hampered the WOG's ability to achieve its objectives.<sup>5</sup>

The sharp deterioration in the economic situation within the country effectively sealed the prospects of further economic reform in any purposeful direction. An increase in food prices was becoming essential in view of the high level of subsidised consumption. Gierek's attempt to increase food prices led to generalised expressions of mass discontent and the government was forced to beat a hasty retreat. The chronic inability of the government to act and the firm resolve of the general populace to unilaterally check the government's initiative only aggravated the situation even further. Economic action was urgently required but prevailing conditions made it politically impossible. There was a steady increase in imports, sectoral imbalances and foreign indebtedness.

### SOLIDARITY AND AFTER

The next attempt by the government to once again increase food prices in 1980 not only led to the open disintegration of authority, but also to the rise of Solidarity, the free trade union movement, the experiences of which constitute the most powerful and dramatic upheavels within the communist bloc in the post-War period. The experience of Solidarity is a powerful reminder to guard against the temptation to treat these systems as being immune to changes from withln, though, the question as to how far these changes have succeeded in transforming the essential nature of these systems is admittedly another, matter.6

Gierek resigned, and was followed by Kania, who was subsequently replaced by General Wojciech Jaruzelski, who came to power after launching a repressive coup on December 13, 1981, which not only put an end to the process of odonwa (renewai) that had been under way ever since the summer strikes began at Gdansk the previous year, but also led to the immediate suspension of Solidarity and the arrest of thousands of its members. The process of economic reform was fossilised by the rapid pace of events: beginning with a bang, the WOG ended with a whimper due to both internal and external reasons. Domestic economic policies during the mid-seventies were equally responsible for stifling what might have proved to be a substantative programme of decentralisation. The government's ambitious investment programme (in the mid-seventies, investment accounted for. more than 35 per cent of national income) was hardly conducive to experiments in decentralisation. Not surprisingly, there was a return to centralisation after 1976 which involved increasing controls on employment and wages, outlining investment limits, strengthening the powers of the ministries and increasing the number of indicators imposed on an enterprise.

And yet the prospects of future economic reform have by no means been sealed if the present leadership can overcome the present impasse without triggering off yet another political and social crisis. In the set of reform measures of the eighties, the emphasis for example, is mainly centred around gaining social acceptance of reform in which an important role is to be accorded to workers' self management, but in a manner where the limits of enterprise autonomy and workers' management are clearly defined by structurally linking independence with greater responsibility.7 But the country seems to be caught between conflicting forces of fossilisation and militarisation, making any far-reaching changes in the economic domain highly improbable.8

There has been no dramatic improvement in the economic situation in the eighties. While it is true that General Jaruzelski had inherited an economy which had been exhausted by overinvestments in the seventies (that was further aggravated by spiralling wages and consumer shortages), he had nevertheless begun martial law with the pledge that the reforms approved by the ninth party congress prior to 1981 would be introduced and implemented. This reform programme had envisaged a greater emphasis on decentralisation of decision-making up to the enterprise level, an added emphasis on workers' self-management and a combination of central planning and the market mechanism which would help to define economic priorities.

While some progress in this direction was initially registered bureaucratic opposition from conservative hardliners effectively stemmed the reforming effort. It took no more than five years for Jaruzelski to admit that since the 'first stage' of reform had not yielded palpable results, a 'second stage' had to be set in motion. This promises to be an intense battle of views between conservatives and radicals. Inspired by the centralised East German model where whole industries are grouped into centralised associations with an emphasis on competent management and planning rather than on market forces and competition, the conservatives argue that the reformers do not sufficiently appreciate the task of supplying essential goods and services on a daily basis. Change, under these difficult circumstances they argue, would provoke unrest unless the benefits are immediately visible.

And yet, change, the system must. Foreign indebtedness today stànds at an astounding 35 billion dollars and is likely to go on increasing at the rate of 1 billion dollars a year. Major features of the current reform include less rationing of industrial inputs and hard currency for companies, loosening of central control, breaking the state monopoly on food procurement and sales, according a greater role to the private sector, establishment of new competitive commercial banks and improving conditions for attracting workers capital for joint ventures. Details of this outline have yet to be worked out. There is clearly no easy way ahead.

What makes the Polish experience with economic reform so special in the communist world is the almost consistent absence and inability of purposive remedial action, whether this refers to the disturbances of the fifties, the seventies or the eighties. While the causes are many, there is little doubt that the inflexible nature of the political system and its lasting negative impact plays an important role here, an aspect forcefully brought home by Brus: "Lack of open and free debate on macro-economic alternatives hardly helps to find a relatively suitable course, and more often than not-leads to one-sided Wunderwaffen, hastily swapped for another extreme after fingers have already been burnt. But probably the most harmful effect of the existing political system is the widespread feeling of dissociation, the perception of the supposedly common socialist economy in them-and-us terms. Not only does this hamper the advance of productivity in a broad sense but it narrows down dangerously the probability of a positive response to even genuine need for simple temporary patience, let alone sacrifice. It is clear that this adversely affects the

changes of a manoeuvre in time of difficulties, and that economic failures in turn feed political distrust."9

The country is today caught in the grips of an all-embracing crisis which poses serious difficulties in the realisation of objectives set forth either by the party or Solidarity. This is especially true of the specifically Polish notion of workers' self-management which rose in the fifties, fell in the sixties and revived in the seventies and remains still-born in the eighties. But considered as a whole, the experience remains the most compelling illustration of the thesis that social and economic irrationalities are not the sole monopoly of the capitalist world, but form integral components of the socialist world as well.

### Notes

- 1 Alec Nove, The Economics of Feasible Socialism, George Allen and Unwin, London, 1983, p 45.
- 2 Domenico Mario Nuti, 'Industrial Enterprises in Poland 1973-1980', in lan Jeffries, (Ed), The Industrial Enterprise in Eastern Europe, Praeger, 1981, p 140.
- P G Hare and P T Wanless, 'Polish and Hungarian Economic Reforms: A Comparison', Soviet Studies, Vol XXXIII, No 4, October, 1981, p 493.
- 4 Alec Nove, The Soviet Economic System, George Allen and Unwin, 1980, p 310.
- 5 See the excellent account of the reforms in Wlodzimierz Brus, Storia economica dell 'Europa orientale, 1950-1980, Editori Riuniti, Roma, 1983, pp 257-272.
- 6 On this subject see, Alan Touraine, Solidarity, Poland 1980-1981, Cambridge University Press/EHESS, Paris, 1983.
- 7 Stanislaw Lewicki, Economic Reform, Interpress, Warsaw, 1984.
- 8 'In Poland' writes Zwass, 'there was no party or government decision that rescinded the reforms introduced in the early seventiesthey simply lost all their efficacy because the central authorities and the management of the most important sectors of industry, confronted with growing disproportionalities and supply problems, assumed all decisionmaking powers themselves. The experiences of the seventies once again clearly showed that a one party regime has no confidence in decentralised management. If it is introduced, it is always under pressure; If difficulties occur, the reforms, half-hearted as they are, are rescinded' Adam Zwass, The Economies of Eastern Europe, Macmillan Press, London, 1984, p 125.
- 9 Wlodzimierz Brus, 'Aims, Methods and' Political Determinants of Economic Policy in Poland 1970-1980', in Alec Nove, H H Hohmann and Getraud Seidenstecher (Editors), The East European Economies in the 1970s, Butterworths, 1982, p 135.



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# BALANCE SHEET OF THE INDIAN BRANCHES AS AT 31ST DECEMBER, 1987

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PROFIT & LOSS ACCOUNT OF THE INDIAN BRANCHES FOR THE YEAR ENDED 31ST DECEMBER, 1987

1986 Rs.		EXPENDITURE	1987 8	1986 Rs		INCOME Less Provision made during the year for bad and doubtful debts and other usual or necessary provisions)	7.867
23.57.01.953	-	Interest paid on deposits, borrowings etc	26,78.86.448	37,56.29,429	-	Interest and Discount	48,80.09.816
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1.35.79,128	ď	Stationary, Printing, Advertisement etc	2,46.99,856			of or dealing with such assets	
	<u>o</u>	Loss from sale of or dealing with Non-banking		47.807	٢	Other Receipts	3.049
1		assets	1	1	90	Loss (if any)	-
	Ħ	Other expenditure (including proportionate New York					
2,89,08,051		Administrative expenses)	3.68.72.534				
9.64,67,237	12,	Taxes on Income	15.27,61,364				
4,99.79.576	13.	Balance of Profit	6.87.90.540				
40 75 78 BOR		TOTAL BUIDESC	64 42 45 TH2	49.75.78.808		TOTAL RUPEES	64.42.45 -82

Per our report attached to the Balance Sheet

FOF S. R. BATLIBOI & COMPANY CHARTERED ACCOUNTANTS

B. M. MIRZA Partner

BOMBAY: March 30, 1988

For AMERICAN EXPRESS BANK LTD Sdr.

J. FILMERIDIS
First Vice-President, India



(FORMERLY AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION)
(INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

все то тне	1987 Rs.	2,14,000 49,500 <u>\$9,575</u> 3,23,075
PARTICULARS OF REMUNERATION PAID/PAYABLE TO THE CHIEF EXECUTIVE OFFICER		Salaries Allowances Estimated Monetary value of benefits or Perquisites on Income Tax Basas Particulars of Remuneration relating to the Chief Executive Officer includes Salary of Rs. 1,10,000, Allowances of Rs. 27,500 and Estimated Monetary Value of benefits of perquisites on Income Tax basis of Rs. 36,281 paid to the previous Chief Executive Officer.
PARTICUI	1986 Rs.	2.64,000 66,000 1.10.653 4.40.653
. QNJ	1987 Rs	3.80.42.846 49.69,22,513 1,69,43,28,399 2,47,29,652
PARTICULARS OF ADVANCES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST DECEMBER, 1987		Debts considered good in respect of which the banking company is fully secured.  Debts considered good for which the banking company holds no other security than the debtors' personal security Debts considered good secured by the personal laabilities of one or more pariles in addition to the personal laabilities of one or more pariles in addition to the personal security of the debtors.  Debts considered doubtful or bad not provided for.  Debts due by directors or officers of the banking company or any of them either severally or jointly with any other persons.  Debts due by company are interested as directors, partners or managing agents, or, in the case of private companies, as members.  Maximum total amount of advances including temporary advances made at any time during the year to directors or them either severally or jointly with any other persons haximum total amount of advances including temporary advances granted during the year to the companies or firms in which the directors of the banking company are innerested as directors, partners or managing agents, or in the case of private companies as members.  Due from banking companies as members
FO		- 12 16 16 16 16 16 16 16 16 16 16 16 16 16
A	1986. Rs.	1,49,47.995 11,49,47.995 2,53,79,07,060 1,16,37.090



(FORMERLY AMERICAN EXPRESS INTERNATIONAL BANKING CORPORATION) (INCORPORATED IN U.S.A. WITH LIMITED LIABILITY)

# NOTES

- The name of the Bank was changed from "American Express International Banking Corporation" to "American Express Bank Ltd." with effect from 1st December, 1985. -4

	(i) Claims against the corporation not acknowledged	
26,50,790	28 debts	26,50,790
	(ii) Liability on account of guarantees given on behalf	
1.29,67,21,305	of: Clients	1,15,90,48,333
	: Officers	2,78,533
1,00,000	(iii) Liability on account of partly paid shares	ı
	(iv) Liability on account of bills rediscounsed with	
	Reserve Bank of India, Industrial Development	
91,01,42,692	Bank of India and other Financial Institutions	1,85,19,49,567
	(v) Liability on account of outstanding Forward	
86,67,40,590	Exchange Contracts	1,04.23,36,846
	(vi) Liability on account of underwriting of a	
10,12,500	public issue	1

- Based on the decisions of the Income Tax Appellate Tribanal in earlier years, the Bank 1s confident of successfully contesting all the disputed tax assessments, for which no provision has been made Further, the unremitted surplus would cover such disputed demands if at all they arise
- No credit has been taken for interest considered doubtful.
- Bills received from Constituents for collection on their behalf are entered in memorandum records and are recorded in financial ledgers only when collected However. bills for collection outstanding as at 31st December, 1987 have been recorded in the financial ledgers and have been shown in the Balance Sheer under the relevant heads of accounts.
  - Proportionate discount/premium on investments based on maturity value has been amortised.
- in accordance with the instructions received from the Reserve Bank of India, the assets and liabilities relating to and as appearing in the books of the Travel Related Services Division after adjusting the profitfloss for the year have been shown under 'Other Assets' and 'Other Liabilities'
  - New York Administrative expenses are subject to the sanction of the Reserve Bank of India and have been limited to the amount estimated to be allowable under Section 44 C of the Income Tax Act. 1961
- Previous year's figures have been regrouped/rearranged wherever necessary and rounded off to the nearest

March 30, 1988 BOMBAY:

> Per our report attached to the Balance Sheet For S.R. BATLIBOI & COMPANY

CHARTERED ACCOUNTANTS

M. MIRZA Partner Month 30,

1988

First Vice-President, India J. FILMERIDIS

# BRANCHES OF AMERICAN EXPRESS BANK LIMITED (FORMERLY KNOWN AS AMERICAN EXPRESS INTERNATIONAL BANKING AUDITORS' REPORT ON THE ACCOUNT OF THE INDIAN CORPORATION) UNDER SECTION 30 OF THE BANKING REGULATION ACT, 1949.

We have audited the attached Balance Sheet of the Indian Branches of American Express Bank Limited (Formerly known as Incorporated in U.S.A. with limited Hability—as at 31st Devember, 1987 and also the Profit and Loss Account of the Indian Branches of the Bank for the year ended on that date, atnexed thereto, in which are incorporated the transactions of Travel Related Services Division in India The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956.

We report that

- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and have found them to be satisfactory;
- (b) the transactions of the Indian Branches of the Bank which have come to our notice, have been within their powers;
- in our opinion, proper books of account as required by law have been kept by the Indian Beneches of the Bank, so far as appears from our examinations of the books; છ
  - the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books Î
- Account gives a true and fair view of the profit of the Indian Branches of the Bank for the year ended so required for Banking Companies and on such basis, the Balance Sheet gives a true and fair view of the state of affairs of the Indian Branches of the Bank as at 31st December, 1987 and the Profit and Loss in our opinion and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon give the information required by the Companies Act, 1956 in the manner Ē

FOR S R BATLIBOI & CO. Chartered Accountants. (B.M. MIRZA)

For AMERICAN EXPRESS BANK LTD

Economic and Political Weekly : A

### Irrigation: Need for an Alternative Perspective

Jasveen Jairath

Irrigation in India's Agricultural Development: Productivity, Stability, Equity by B D Dhawan; Sage Publications, New Delhi, 1988; pp 265, Rs 180.

THE study of irrigation related issues has led to the production of a large quantum of literature on the subject without however a commensurate improvement in the quality of output. Given this' on going drought in the realm of irrigation studies, a good book on the consequences of irrigated agriculture in India is a welcome respite. The volume under review is an attempt by the author to provide a tentative evaluation of the impact of irrigation development in the country on increasing and stabilising agricultural production and ensuring equitable distribution of the ensuing benefits. It is entirely based on secondary sources of data, relates predominantly to the post-independence period and, given data availability, attempts an all-India coverage. It is a concise and tightly written work based on intensive research. On the whole it forms a particularly useful addition to researchers' shelves as it consolidates the vast corpus of scattered empirical material on irrigation-a job which must have involved a lot of painstaking routine work but which the author handles in a thorough and systematic manner. As such it constitutes a significant contribution towards facilitating further research in the area. Keeping in view the positive contribution of the book we focus below on what is considered its major weakness—a failure to integrate the specifically technical aspects of irrigation and production with the structure of social

The book comprises ten chapters including an introduction (Chapter 1) and a summary of conclusions (Chapter 10). The second chapter, by far the most interesting, discusses some popular misconceptions regarding the evaluation of irrigation impact, which is typically visualised as an addition to farm output as a consequence of switching from rainfed to irrigated agriculture. Although the author does not dispute such a conceptualisation of irrigation impact he correctly points out the inherent difficulties in its measurement. Given the complementarity of other inputs with irrigation, he argues, it becomes well nigh impossible to isolate the contribution of a single input. This is a particularly important point which hits at the very core of the entire gamut of decompositional analysis wherein output is sought to be decomposed into a sum of contributions of individual inputs using the production function/regresujon analysis framework-albeit with considerable statistical sophistication. It would have been interesting if the author could have developed this discussion into a more general and fundamental critique of the production function methodology widely used for analysing the input/output relations in agriculture (see for example Bharadwaj: 1979) with particular reference to irrigation (as for example in Jairath: 1984). However, it is disappointing that not only is there no further elaboration of this 'misconception' but the author remains embedded within the above mentioned mainstream methodology while analysing the empirical material in the subsequent chapters. Although the following chapter (Chapter 3) is devoted to a discussion of the methodological issues, which the author considers his singular research contribution, the focus there is by and large on a discussion of suitable statistical techniques for analysing the data and does not bring out any alternative concept or perspective on the question of evaluating irrigation

Next he points to the danger of conceptualising irrigation development without due regard to the ecological externalities accompanying irrigation such as those of waterlogging and declining water table, which car. seriously jeopardise the productivity of irrigation sources. But the most important externality noted by the author and one not often emphasised in the literature relates to the differences in inter-source productivityie, the dependence of productivity of ground water sources (dug wells and tube wells) on the development of surface irrigation works in the area. The water seepage from canals is the major source of recharge of the ground water acquifer which is critical for sustained discharge from the wells. Therefore, the commonly observed higher productivity levels associated with ground water relative to surface water sources need to be interpreted with some caution, as increased exploitation of ground water in the absence of surface Irrigation can seriously deplete the subsoil water and endanger the efficiency of investment carried out in sinking wells. This, however, still leaves unexplained the consistently greater productivity of privately owned shallow tubewells even in areas out of canal commands. Clearly, the reasons for the superior performance of such tubewells cannot be attributed to the beneficial impact of surrounding canals. Alternatively, if tubewells are considered superior to canals on independent technical grounds, how can one account for the evidence on the poorest performance of deep tubewells which, as acknowledged by the author, are one of most efficient techniques of irrigation? Evidently productivity of an irrigation source is not entirely a technical question. In Chapter 5 the author does address himself to the question of inter-source differences in productivity of irrigated agriculture. Using the available empirical data he basically tries to substantiate the correlation of higher productivity ground water sources, particularly with privately owned shallow tubewells. Secondly, and more importantly, he seeks an explanation of the same. However, though the question asked is pertinent the answers provided remain either technocratic or tautological. For instance, differences in factors such as irrigation intensity, crop pattern under the source, physical crop yields, etc, are posited as possible explanations of differential productivity. But it is precisely the realisation of a more remunerative crop pattern or higher yield under one source relative to another that needs explaining. It is this that constitutes productivity of the source. Unless this productivity is assumed to be neutral to class divisions (a highly questionable hypothesis) the more pertinent question would be to examine inter-source differences in productivity in an inter-class perspective. Such an exercise, it is possible, may point to the poor productivity levels associated with technically efficient irrigation sources while those with lower efficiency may exhibit a higher productivity. Therefore, in order to seek an answer to the inter-source productivity differentials one will perforce have to renounce the technocratic vision and enter the social realm of class relations.

Further, the present reviewer would question the rather optimistic expectations of conjuctive use of surface water and ground water that the author hints at as a possible explanation of such high productivity under

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canal irrigation in situations of extensive tubewell development in the command area The expectation is based on the assumption of complementary use of surface and ground water which is certainly technologically possible. However, how far this technical potential is realised in actuality remains open to question and cannot be taken for granted. Evidence from a field survey by this reviewer from Amritsar district in Punjab pointed to deterioration in canal water utilisation as a consequence of tubewell development in the command areas. The tubewells were also underutilised due to the scale effect of small holdings. Use of surface and ground water was therefore found to be competitive and socially irrational in this case in spite of technological feasibility to the contrary.

The foregoing raises the important question of the 'quality of irrigation'-a concept often used by the author to explain differences in fertiliser application associated with different irrigation sources which in turn account for the varied yield and output impact of these sources and their contribution to augmenting total output (Chapter 4). This qualitative aspect of irrigation, the author argues, also influences the stabilising and protective role of irrigation (Chapters 7 to 8). Without disputing thesc contentions regarding the significance of irrigation quality it may be noted that this 'quality' appears to be visualised by the author purely in technical terms. This inference is tenative since the concept is nowhere defined in the book. However, if the quality indicates a control over irrigation in terms of the quantum and timing of watering, then clearly the quality of irrigation accessible to a farmer remains a function not only of its technical characteristics but also of the conditions of utilisation of the particular irrigation source faced by the farmer. And given the inequitous social structure in the countryside these conditions may vary over different economic classes of producers. The overall quality of irrigation would therefore be closely linked to the prevailing class structure, which in turn would condition the 'irrigation impact'.

However, embedded within the technocratic tradition the author does not bring the producers (and social divisions among them) into the picture except towards the end in Chapter 9 which discusses the issue of equity in sharing the gains of irrigation. Here he does draw attention to the inequity in the distribution of benefits from irrigation related to the unequal resource distribution among the producers as reflected at a first level by uneven land distribution. Although the introduction of class divisions into the picture is refreshing, the author still maintains that the irrigation factor may be neutral to land size (proxy for class category) given the egalitarian water distribution systems. such as warabandi of north India. Even in such areas, however, one cannot take for granted the uniformity of irrigation quality accessible to producers (see, for instance,

Jairath 1985). In an attempt to rectify this imbalance in the distribution of irrigation benefits, the author recommends a policy of equitable land redistribution.

Although one cannot dispute such a conclusion, there is an uneasy feeling as the implications of unequal property relations in the agrarian sector are suddenly brought up at the end of the volume. The connection appears formal and eclectic. Nowhere in the preceding discussion does one encounter an attempt to integrate the effects of this inequity with irrigation impact on production. The analysis is conducted purely in terms of land, water, and crops-to the exclusion of the producers. The omission of inequity among producers is therefore not surprising and neither is its inclusion in the chapter on benefit sharing, as at that point it becomes unavoidable to bring in the producer beneficary.

It is this basically a-social perspective of the entire study that constitutes its major weakness, as that of the entire mainstream literature in the area. Imprisoned within the narrow confines of technocratic thinking this viewpoint fails to accommodate the bearing of social factors—i e, those deriving from the totality of production relations—on the creation and utilisation of technological inputs such as irrigation. A single such input, it may be noted, is a part of a total production technology-which is a specific qualitative and quantitative combination of all the inputs. Therefore while analysing the consequences of a change in one particular input (viz. irrigation) it becomes imperative to study the given pattern of class relations and their production conditions which

influence the extent of adoption (or lack of it) of more productive technologies. It is only within this context that one can analyse the specific particularities of the irrigational input-i e, its qualitative differentiation, conditions of creation of irrigation potential and its utilisation for different classesand the implications of this for generating particular output patterns. The total output, crop pattern, physical yields and cropping intensity impact of irrigation is thus contingent on the prevailing class structure based on property relations. This comprises not merely the land distribution but also the totality of tenurial relations, conditions of access to resources and input/output markets, etc. The underlying inequity, therefore, influences not merely the 'sharing' of gains due to irrigation but also determines the qualitative and quantitative composition of these gains.

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# New SAGE Publishers of the Professional Social Sciences

### RURAL DEVELOPMENT IN INDIA

A Public Policy Approach

S R MAHESHWARI

The book provides interesting insights into the operation of rural development programmes in a vast country like India. Although the author may have written the book with an Indian readership in mind, it will prove useful to other readers, especially in developing countries where a rural development programme is indispensable to socioeconomic development. The book will not only be helpful to academicians and researchers, but will also be very useful to policy makers, planners, programme implementors and administrators, and it makes a useful contribution to contemporary literature on rural development.

--- International Social Work

231 pages/225 × 145 mm/Rs 145 (hb)/1985



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### Papers on India

### **Ashim Kumar Roy**

Oxford University Papers on India General Editors: N J Allen, R F Gombrich, T Raychaudhuri and G Rizvi; Vol I, Part 1, pp xv + 155, Rs 110, 1986; Part 2, pp xv + 151, Rs 110, 1987; Oxford University Press, Delhi.

THIS is an occasional publication of the Centre for Indian Studies of the Oxford University. The Centre intends to publish one volume each year. The volumes would be in two parts. The first part would contain mainly Indological matters, and the second, materials relating to more recent phases of indian life and culture.

There are seven essays in the first part of this volume. Most of these would be of interest to specialists only. For instance, James Benson writes on 'Patanjali's Remarks on Panini 1.1.60'. This grammatical rule deals with elision, i e, the disappearance of a letter or a word-form from a word. Two essays in this part are of general interest.

I J Leslie writes on 'Strisvabhava: The Inherent Nature of Women! Strisvabhava is the title of the third section of Stridharmapaddhati, a work by Tryambaka. This, according to Leslie, is the only extant work dealing with the religious law pertaining to women. Tryambaka was not one of the important writers on Dharmashastra. Kane in his History of Dharmashastra barely mentions him. Leslie also deals with only one chapter of Trymbaka's work. Here the author deals with a peculiar problem. It is widely recognised that women are inherently wicked. How then can they possibly have any interest in religious instructions which the author seeks to provide?

Tryambaka's difficulty was quite serious. The epics, the Puranas, and all the Dharmashastras are unanimous in condemning the nature of women. Exceptions are sometimes made for one's blood relations, such as, mother, sisters and daughters; but all other women are invariably wicked. Some modern apologists have found isolated passages where some aspects of women have been praised. For instance, Manu (V, 130) says that a woman's mouth is always pure. But medieval commentators had been quick to point out that that was for the purpose of kissing only. Tryambaka's solution to the problem he set himself was that although women had inherent faults..., nevertheless, if their conduct was good, i e, if as a result of religious instructions they turned themselves into devoted wives, then those very faults would cease to exist.

Bimal Krishna Matilal deals with 'The Logical Illumination of Indian Mysticism' in a scholarly yet readable essay. What exactly is mysticism is difficult to state. As Matilal writes, "The idea of mysticism has mystified many of us." One thing, however, is common to all kinds of mysticism. It is some kind of transcendence of good and wil. Matilal discusses at length the views of

the Madhyamika philosopher Nagarjuna. Nagarjuna thought that everything was empty or devoid of its own nature. This not only meant that ultimate reality was illusory, but it also led him to the logical trap that in that case this statement was also empty. After a great deal of struggle, Nagarjuna came to propose two levels of reality. In ultimate reality there was no distinction between good and evil, but in the conventional or everyday reality the distinction was vital.

The second part of this volume contains six essays. Some of them are quite interesting. Francis Robinson has written on 'Problems in the History of Farangi Mahall: Family of Learned and Holy Men'. This house in Lucknow originally belonged to a European indigo planter. Hence the name. It was given to a scholarly family by Aurangazeb in 1695. The family has maintained its reputation for scholarship, and it has attracted students from many parts of the Islamic world. There was no central organisation of teaching in Farangi Mahall. The members of the family taught the pupils who either stayed with them or lived in a large mosque nearby. An organised form was given to the institution only in 1905. It was thereafter called Madrasa-i-Aliya Nizamiyya. There was baslc difference between this institution and another famous centre of Islamic learning, the Darul-Ulama in Deoband. The latter centre was conservative. It gave emphasis on the Quran and the Hadiths, while the Farangi Mahall gave importance to logic and jurisprudence. Thus on matters in dispute Deoband gave traditional opinions, while the Lucknow institution thought that "men should concern themselves with the real and not the literal meaning of the Hadiths". In other words, the scholars of the Farangi Mahall took a more modern view of Islam. They also sided with the bourgeoisie, and supported the demand for Pakistan. Deoband on the other hand thought that the people who were clamouring for Pakisian were incapable of preserving Islam and protecting the Muslim culture, and also were callous about the fate of the Muslims who would be left behind. Perhaps that is why the Aliya Nizamiyya of Farangi Mahall discontinued its teaching work in 1969, but the Darul-Ulama in Deoband is flourishing as ever.

Anita Inder Singh in her essay 'Prospects of Agreement and the Partition of India, 1939-1947' concentrates on the role of Jinnah. She has made good use of the relevant official documents, but she practically ignores the role of the Muslim learned men

in the Pakistan movement.

An interesting essay in this part is 'Eurasians under British Rule' by Richard Symonds. Eurasians are known today as Anglo Indians, but it was not until the 20th century that the Viceroy Lord Hardinge allowed them to take this title which his predecessor, Curzon, had refused them because in the 19th century the British who worked in India were themselves known as Anglo Indians.

It is strange to find that the Eurasians were not taken in the service of the East India Company in the early 19th century. There was a belief that "In every country where the intermediate caste has been permitted to rise, it has sended to the ruin of the country". Things changed with the Charter Act of 1833, and the discrimination against them was removed. Soon the Eurasians occupied a large number of places in the railways and customs and telegraph departments. The Anglo Indians were, however, subject to British racial prejudice. and this position became quite bad in the early 20th century. "A writer in the Asiatic Quarterly Review in 1910 stated that 'the feeling of Europeans in India is very nearly, if not altogether, one of race hatred against the Eurasians'. "

At the time of independence, there were probably 1,50,000 Anglo Indians, 90 per cent of whom were in India and the rest in Pakistan. It was estimated in 1969 that about 50,000 had emigrated since independence, of whom 25,000 had gone to Britain, and between 5,000 and 10,000 to Australia. Their number diminished further because some Indians who had previously claimed to be Anglo Indians now preferred to be classified as Indian Christians.

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### **Growth and Equity**

Ashok V Desai

Growth and Equity: A Critique of the Lewis-Kuznets Tradition by Anindya Datta; Oxford University Press, Calcutta, 1986; pp xii + 119, Rs 110.

A REACTIONARY radical is one who favours an improvement in the condition of the poor provided it is at the expense of the rich, and who opposes all practical economic changes since they could conceivably worsen the condition of some poor. A common reactionary radical line of argument goes as follows: the Indian economy is constrained by demand; redistribution would stimulate the demand for food and raise the growth rate. This argument has been expounded so often in the pages of EPW that its readers are not likely to jump for joy at another statement of lt. This book is such a statement-well written if rather pompous, well referenced though rather biased against inconvenient evidence, and nicely balanced in its respect for the various worthies in the reactionary radical pantheon (in Datta's view, the peak is occupied by K N Raj, Prabhat Patnaik, Amiya Bagchi and Sudipto Mundle).

Five of its seven chapters are theoretical; in other words, they rearrange the stylised facts of the reactionary radicals in a persuasive melange. These can be left to the aficionados. Here I shall confine myself to the two chapters which persent Datta's own work.

Datta wants to prove that redistribution of agricultural land to the smaller farmers would increase the agricultural surplus. He does not mean the marketed surplus; instead he takes the excess of the output of nine food crops over an estimate of the minimum consumption requirements of the rural population. This surplus is calculated for 248 districts or groups of them for the years 1970-73, and then regressed on a number of variables.

Datta relies for his inference (that land redistribution would increase the surplus) on the correlation between his surplus TS and the product of the Gini coefficient of inequality of holdings with two variablesarea under irrigation and fertilisers, respectively termed TIG and TFG. His reasoning is as follows. TIG will be negatively related to TS. This is because the benefits of irrigatlon leak out to small farmers. Irrigation raises the water table, and even if irrigation water is not directty supplied to small farmers they can tap the underground water by means of tubewells (but don't they need credit for tubewells and pumps?). Hence, presumably, a decrease in inequality will lead to more intensive use of irrigation. Fertiliser consumption, on the other hand, is more sensitive to the availability of credit and hence positively related to inequality. Hence a reduction in inequality will lead to less consumption of fertilisers and a lower surplus (but if a benevolent force reduces inequality, can do no better than quote Datta:

... while small farms, which are typically run on the basis of family labour, combine more efficiently with water (or irrigation), they are prevented by institutional circumstances from combining in a similar fashion with fertilisers.

Thus he expects TS to be positively correlated with TIG and negatively with TFG; and this is the result he gets. But even if we accept his esoteric argument above, the support it gets from his regressions is adventitious. Let me show this for his first regression (the argument can be repeated a fortiori for his other regressions, albeit with different figures):

$$TS = 5.64 \times 10^{7} + 2.94 \times 10^{2}C - 1.19 \times 10^{2}TP + (0.45) \quad (1.00) \quad (1.00) + 2.27 \times 10^{3}T1 - 2.06 \times 10TF + 1.14 \times 10^{8}G \quad (1.00) \quad (0.94) \quad (0.52) - 2.78 \times 10^{3}T1G + 3.95 \times 10TFG + 6.23 \times 10^{4}B \quad (0.98) \quad (0.95) \quad (0.98)$$

$$R^{2} = 0.63$$

where

TS is the surplus, C is the gross cropped area, TP is the rural population, TI is the irrigated area, TF is the fertiliser consumption, G is Gini coefficient of inequality and B is the average yield per hectare in 1962-65.

Now the first doubt that assails one is the negative coefficient of TF: how can fertiliser consumption reduce the surplus? Datta does not give standard errors or T-values; instead he gives confidence levels, and the confidence level of TF is low at 0.94.

The other odd feature is the use of highly

what prevents it from giving credit to small farmers?). The argument is obscure, but I

TABLE TS TP TI TIG **TFG** -0.13TP TI 0.61 TF 0.45 0.47 0.81 -0.050.15 0.04 0.01 G TIG 0.58 0.99 0.81 0.15 0.46 TFG 0.43 0.50 0.79 0.99 0.11 0.82 0.02 0.45 0.36 0.45 0.42 0.32 0.33 -0.10 C 0.45 -0.040.32 0.54 0.51 0.52 0.45

scaled total variables when they could have been easily normalised, e.g. by dividing them by the gross cropped area. So one wonders about heteroscedasticity.

The doubts are amply confirmed by a look at the correlation matrix (see Table). The surplus is positively correlated with irrigated area ( $R^2 = 0.37$ ) and fertiliser consumption ( $R^2 = 0.23$ ). If they were mutually uncorrelated, they would account for 0.60 out of the total R2 of 0.63. Actually, they are highly intercorrelated ( $R^2 = 0.66$ ), so it is impossible to say how much of it they account for. Probably a high proportion, followed by C; I would expect the three variables-Ti, TF and C-to account for most of the total R2.

G is almost entirely uncorrelated with the surplus, which is inconvenient for Datta's theory that a reduction in G would increase S. So he creates the product variables TIG and TFG. But these are almost linear transforms of TI and TF respectively, with which their R<sup>2</sup> is 0.98. Hence regressing TIG and TFG with TS would have given very similar results as a regression with TI and TF. But if all four were used in the same regression there would be massive multicollinearity, and the regression coefficients would not be worth the calculation. So they are not. My interpretation of the figures is that both irrigation and fertiliser consumption are positively associated with the Datta surplus, but that their relative importance cannot be assessed with his data. Inequality has almost nothing to do with the surplus.

This book, to my mind, represents the triumph of faith over reason. But I am really puzzled by the anonymous reader of the Oxford University Press who "reacted on a positive note": which of the reactionary radical luminaries was he? What does his 'positive note' indicate? The triumph of solidarity over scruple? Or of ignorance over caution?

### SOCIAL STRATIFICATION IN INDIA

**Edited by** K.L. Sharma

Demy 8vo; pp xxvl+343; Rs 190

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# The Green Revolution and Industrial Growth in India

### A Tale of Two Paradoxes and a Half

Ranjit Sau

The cowdung capitalism of green revolution in India has spawned a new breed of capitalists. These offsprings of gentlemen farmers are operating in an intermediate zone of agriculture and industry. They are eager to venture into the field of industrial capitalism. But the entry point in industry is uninviting and the future prospects dim. Under the new economic policy the economy is oriented towards the consumption pattern of the top decile of the population. Imports of technology, capital goods, and foreign capital are liberalised. The NEP would make India's economic development unstable, unequalising, and more crisis prone. Its impact on the newly emerging farmer-capitalists would be severe as they are under pressure from above as well as from below. They are threatened, in a shrinking market, by big capitalists including multinationals; on the other hand, they are confronted with the rising demands of workers, without enjoying the benefit of super profits. In any case, as simulations with Walrasian empirical general equilibrium models show the potential material gain from economic liberalisation is miniscule, if at all, hardly exceeding 0.3 per cent of GDP. The transition from cowdung capitalism cannot be accomplished through a policy that exacerbates dualism in the economy.

THE green revolution started in India during the mid-sixties. Its immediate purpose was to ease the acute shortage of foodgrains. Within a short span of time wheat output responded very well, followed by rice to a much lesser extent. By the late seventies the country attained a measure of self-sufficiency in foodgrains.

At an early stage of economic development 'subsistence fund' is a very important form of 'capital good' that classical economists had emphasised. An adequate supply of food enables a country to escape from a hand-to-mouth existence and devote a larger amount of labour to the construction of more sophisticated kinds of capital goods which increase future output. Accordingly, green revolution, it was thought, would pave the way for rapid Industrial growth. <sup>1</sup>

There is a good deal of controversy about the speed and pattern of industrial growth in India. Given the nature of data and the topic it is quite understandable why unanimity on this issue is hard to achieve. However, there is a broad consensus that at least the first decade of green revolution in India was not distinguished by an acceleration in industrial growth; if any thing, industry in fact decelerated. True, one cannot expect industry to be spurred by food supply alone; several other factors do impinge upon it. Yet It remains somewhat of a puzzle why the removal of a major constraint like food supply did not find a reflection on the lndustrial front. This is all the more so when we look at it from another angle. The green revolution did succeed in creating a new class of nouveau riche who could have spearheaded an upsurge in industrial activities through its consumption demand for products as well as fresh investment in industries. Why and how did that potentiality fail to materialise?

There is another striking event in India. During the last three decades and a half the rate of savings had gone up more or less steadily. Particularly in the green revolution era of seventies it had remained at a high level maintaining the upward trend. Yet the economy did not register any faster movement beyond the so-called Hindu rate of growth of 3.5 per cent. Where has the investment gone? This is a persistent query. It has elicited wide ranging comments. Some have seen in it a decisive proof of wastage, and inefficiency of the mechanism of resource allocation in India. Some others have read it as a manifestation of demand deficiency in the economy, while there are also some who have almost dismissed it as a symptom of India entering a mature stage of growth where urbanisation, agricultural transformation and industrial growth become a relatively capital-intensive process. Thus the debate continues, and to us it remains as the second paradox.

I suspect there is a common thread that runs between these two apparent anomalies: the inability of green revolution in agriculture to trigger off an acceleration in industrial growth, and the sluggishness of the economy in the face of a high and rising rate of savings. A paradox often has a simple solution that somehow eludes us at the first sight. In any case the main objective of our present exercise is not sort out any theoretical or empirical riddie. We merely intend to use certain observed data as instruments or vehicles to probe the inner core of the growth process of the Indian economy.

The so-called liberalisation of the Indian economy began in right earnest during the

mid-sixties. Since then it is gathering momentum, more so after 1984 with the installation of a new government in Delhi. It has acquired meanwhile a distinct label: new economic policy. In due course, 1 am sure, it will also produce its own quota of paradoxes. A major one is already half way through. For the moment, therefore, we count it as half a paradox.

### INDUCEMENT TO INVEST

The quantitative success of the green revolution has enabled India only to strike a precarious balance between foodgrains consumption and population. Over the thirty year period 1954-1983 the per capita gross consumption of foodgrains has remained. virtually unchanged at about 185 kg per year on an average through the cycle of good and bad harvest years. All that the green revolution has done in this respect is to relieve India from the burden of partial dependence on import for domestic food supply [Dandekar 1986: Tables 1 and 2]. This by itself is certainly not a mean achievement. The fact is that the green revolution era has not seen any perceptible expansion in per capita foodgrains consumption. To put it differently, the 'subsistence fund', on which the classical economists put so much emphasis as a means for capital accumulation, did not record any noteworthy augmentation. on a per capita basis. While wheat, and to some extent rice, did well, the other food crops-pulses and coarse grains-deteriorated. This as such could go a long way to explain why India's industry did not receive much of a stimulus from the products of the green revolution in agriculture, insofar as the wage fund' is concerned.

Agriculture in a country like India is not only the main source of supply of the classical 'wage fund' for industry. The overwhelming majority of the population draw their income from agriculture. So It provides the bulk of the market as well for industrial consumer goods. What has happened to the per capita NDP in the agricultural sector during the three decades, 1954-83? It has remained unchanged at about Rs 410 (at 1970-71 prices) per year, on an average over the cycle of good and bad harvest years. In fact, it dropped a little, to Rs 400, during the early days of the green revolution, 1968-75 [Dandekar 1986: Table 5]. Thus, it appears, from the view point of demand for lts products, India's industry could not derive much of an impulse from the labours of green revolution.

Then there is another dimension of the story. It is possible to argue that food consumption, or income, reckoned on a per capita basis as such, is of little relevance for industrial growth. The pattern of distribution too is Important. Indeed, the green revolution helped create a class of rich farmers with sizeable Income and investible resources. Why did they not, one might ask, transcend themselves to the rank of industrial capitalist thereby setting in motion the acceleration principle of growth? Some capitalist farmers did become farmercapitalists, on the way to full-scale industrial capitalism. There had been a noticeable rise in the number of small-scale industrial units. most of which were set up by the newly emerging rich farmers, who had gathered investible resources from agriculture.

Table 1: Profit Rates of Public Limited (Non-Government, Non-Financial)

Companies in India

Year*	Gross Profits as Percentage of Total Net Assets (i e, Total Capital Employed)				ss Profits ntage of S		Profit after Tax as a Percentage of Net Worth			
	Small		Large	Small	Medium	Large	Small <sup>(c)</sup>	Medium	Large	
		and Large	:		and Larg	c		and Large		
1950	_	9.0		_	9.5		_	7.7	_	
1951	_	10.6	_	_	9.6		_	9.6	_	
1952	_	7.6	_	_	7.1	-	_	5.6	_	
1953	_	8.4	•	_	8.8	_	_	6.8	_	
1954	_	9.1	_		9.6	_		7.8	_	
1955		10.2			19.6	_	_	9.1	_	
1956	6.5	9.5		5.1	10.0		4.7	8.8		
1957	5.2	7.4		4.4	8.0	-	0.5	6.5	_	
1958	6.1	8.0	_	5.3	8.5	_	5.1	7.1	_	
1959	7.5	9.8	_	6.3	10.0		6.3	10.5	_	
1960	7.4	10,0	-	6.2	10.6	$\overline{}$	7.5	11.0	_	
1961	7.1	10.0	_	4.9	10.5	_	6.0	10.00	_	
1962	7.0	10.1		5.0	10.6	_	4.6	8.7		
1963	8.4	10.7	-	5.8	10.8		6.5	9.5	_	
1964	8.4	10.5	-	5.9	10.6	-	6.7	9.3	_	
1965	8.0	10.0	10.9	5.0	10.5	12.5	6.4	8.8	10.0	
1966	7.8	9.7	10.4	5.1	10.3	12.1	4.8	9.0	10.2	
1967	7.0	8.5	9.4	4.6	9.1	11.0	3.1	7.1	8.9	
1968	5.8	8.4	9.1	4.0	8.7	10.4	0.7	6.8	8.3	
1969	5.2	9.4	10,2	3.7	9.4	11.1	-0.4	9.3	10.6	
1970	5.5	10.4	11.3	3.7	10.3	12.1	0.9	11.2	12.2	
1971	5.0	10.4	11.1	3.8	10.0	11.6	2.0	10.5	11.0	
1972	5.3	10.3	10.6	3.2	9.5	10.6	0.7	10.3	9.7	
1973	5.4	11.2	11.5	3.5	10.7	11.7	2.2	11.6	11.4	
1974	9.2	12.8	12.8	5.3	11.4	11.4	14.2	13.7	13.7	
1975	9.6	10.6	11.3	5.2	9.2	10.2	6.6	8.2	9.8	
1976	_	11.0	11.6	_	9.0	10.0	_	7.9	9.8	
1977	_	11.0	11.3	_	9.1	9.9		8.8	9.8	
1978	_	11.7	12.1	_	9.5	10.5	_	11.5	12.0	
1979	_	12.6	12.8		10.1	11.0		14.4	14.2	
1980	_	12.0	12.2	_	9.8	10.4	_	14.2	14.7	
1981	_	11.2	11.7	_	9.3	10.3	_	13.4	14.2	
1982	_	9.7	10.3	_	. 8.7	9.5		11.0	12.9	
1983	-	_	8.9	_	_	8.9	_		8.6	
1984	_	_	9.3	_	_	9.2	_	_	9.4	
1985			9.3	_	_	9.7	_	-	9.4	
Mean(d)	6.87	10.05	10.86	4.80	9.68	10.67	4.48	9.57	10.99	
	(1.41)	(1.31)	(1.19)	(0.91)	(0.91)	(0.99)	(3.38)	(2.24)	(1.98)	

Notes: (a) Calender years up to 1959; thereafter, fiscal years; 1960, for example, denotes 1960-61.

(b) Gross sales up to 1959; thereafter, net sales, I e, excluding rebates, commissions, etc.

(c) The figure for 1959 in this column is interpolated by us as an average of two adjacent figures.

(d) Figures In brackets are standard deviations.

Source: Reserve Bank of India, Bulletin (monthly), latest issues.

There are, however, reasons to believe that this process of transition from agricultural capital to industrial capital-a transition that had played a catalytic role in the history of evolution of capitalism in such countries as England, France, Germany and Japan-is not robust in present-day India. First of all. the observed high incidence of sickness and mortality among small-scale enterprises that has recently assumed the proportion of an epidemic is a clear and visible sign of the weakness of the transformation. One can investigate the matter a little further. The rate of profit is the single most reliable indicator of the state of a capitalist economy, developed or underdeveloped. Table I has the data of three indices of profit rate of public limited (non-financial, non-government) companies in India by size class.<sup>2</sup> Evidently. the rate of profit varies with the size of a company.

Now, small companies are presumably the entry point for aspiring rich farmers into the realm of industrial capitalism. And the entry point does not seem to be terribly inviting for them. The rate of profit of a small company is rather low. Gross profits as a percentage of sales of a small company, for example, had the mean of of 4.80 per cent during 1956-75, while it was much higher—over twice as much—in the case of medium and large companies. What is more, for a small company it is relatively volatile over time as judged by the standard deviation. For a small company the Indian industrial market thus does not seem to be very hospitable. It is an arena of battle among unequais, with the odds heavily loaded against the small and the new. It would not therefore be surprising if a farmer who has accumulated investible funds through the benefits of green revolution feels shy to enter the field of industry. To quote Keynes [1936: 347-48]:

There has been a chronic tendency throughout human history for the propensity to save to be stronger than the inducement to invest. The weakness of the inducement to invest has been at all times the key to the economic problem... The desire of the individual to augment his personal wealth by abstaining from consumption has usually been stronger than the inducement to the entrepreneur to augment the national wealth by employing labour on the construction of durable assets.

This aptly summarises the condition of those who have been the greatest direct beneficiaries of the green revolution, namely, the rich farmers. The capital that grew with the green revolution is eager to find its self-expansion through conversion into industrial capital; but the outlets seem to be few and precarious.<sup>3</sup> The consequent tension gets reflected in the political domain by way of certain regional pressure groups; and sometimes in utter frustration it degenerates into divisive forces.

#### **DEMAND FACTORS**

India has done remarkably well with regard to savings. From at about 10 per cent

in 1950 the rate of gross domestic saving as a proportion of GDP has risen, with minor fluctuations, to about 23 per cent today. In an economy where per capita income has grown at less than two per cent a year, it is, indeed, a major achievement. Throughout the seventies and the eighties so far the saving rate has maintained the record performance. The Harrod-Domar formula, with a constant capital-output ratio, would predict a corresponding improvement in the growth rate of national Income. But that has not happened in fact.4 The seventies, as noted earlier, showed stagnation in industry. By simple arithmetic it follows that the capital-output ratio must have risen. 5 Rao [1983: 161] draws a major conclusion: "It is clear from our analysis that the policy we have followed for capital formation..., from the point of view of maximising productivity and the impact on growth, has been erroneous." In the same vein Bhagwati and Srinivasan [1984] say: "The bulk of the explanation... would seem to us to have to lean on the 'common wisdom'..., attributable to the earlier work of Bhagwati and Desai [1970] and Bhagwati and Srinivasan [1975] on the efficiency of our trade and allocation policies, that our resource allocation has been substantially inefficient."

At the other end of the spectrum is the view that such a movement of capital-output ratio is not only natural but also universal. As the economy enters a higher stage of growth of production becomes more capital-intensive. Besides, as Arthur Lewis put it, "infrastructural capital costs tend to be higher in periods of urbanisation". Add to it the fact that Indian agriculture has now become energy-intensive and hence capital-intensive, in comparison with the earlier years. Evidently, the increase in capital-output ratio has not been significantly different in India from what it has been in many other developing countries [Raj, 1984].

Viewing the growth rate as a product of the marginal capital-output ratio and the savings ratio as per the Harrod-Domar equation is at best an equilibrium relationship, and often little more than an accounting framework. In either case it does not tell a causal story. We have to analyse the problem in terms of demand and supply. Pursuing this line of thought one finds that the cutback in public investment in the sixties and subsequent shift in Investment pattern implied that the sectors where excess capacity was built ahead of demand, on account of scale considerations, could not derive the benefits that were expected. Second, consumer durables had been the fastest growing industrial sector in keeping with the pattern of demand that took shape in the wake of the green revolution. This sector has not yet adopted the method of mass production, the extent of the market still being rather small. Thus, bereft of the economies of scale, the expanding consumer durable sector had an unfavourable effect on the capital-output ratio. Third, with the advent of the energyintensive technology in agriculture there was

substantial investment in energy-related projects whose costs have gone up very substantially. It constrained additionally the demand stimulating potential of investment through vertical and horizontal linkages. Thus, some important demand factors were at play to cause the capital-output ratio to go up [Chakravarty 1984].

In the light of our discussion in the preceding section we are urged to add that the above-mentioned Keynesian perception may provide part of the explanation for the paradox of high saving-low growth in India. It is typically a situation where ex ante saving exceeds ex ante investment, although ex post they are identical. A lot of 'money' has come into the hands of the rural rich benefitting from the green revolution. It is in search of investment outlets; often frustrated in this pursuit, it takes the shape of consumer durables, or gets reflected into unusually high stock of inventories, which averaged around 2.5 per cent of GDP during the 1970s, one percentage point higher than

#### **NEW ECONOMIC POLICY**

The devaluation of rupee on June 6, 1966, marked a turning point for the Indian economy. Since that time the economy is on a course of so-called liberalisation [Bhagwati and Srinivasan 1975]. The year 1984 is another milestone. Major changes in policy are being initiated by stages in regard to taxation, industrial licensing, imports, exports, technology and foreign equity capital. Measures are under way to rationalise and simplify the systems of fiscal and administrative regulations. Although there has been in fact no official resolution or statement to that effect setting out explicitly what it is intended to achieve and how, the new economic policy (NEP) has entered the common lexicon. There is a general agreement that a very distinctive feature of these policy changes taken as a whole is the greater scope for unfettered expansion they offer to the private sector, particularly to the corporate segment of manufacturing industry and the opportunities opened up in the process to multinational corporations [Raj 1986].

Presumably the rationale for the new policy emanates from two somewhat incongruous sets of considerations. One is that the more restrictive policies followed hitherto in relation to the private sector have been responsible to a significant degree for stagnation in manufacturing industry since the mid-sixties; that the import-substitution strategy followed so far has given rise to a high-cost economy with obsolete technology; and that certain infrastructural constraints, traceable to investment and management problems in the public sector, have also contributed to it. The other is that the constraints on industrial growth are basically on the demand side; and that the highly skewed income distribution in the country can be exploited for generating more demand for consumer goods from among the

upper income strata. It is now held that during the mid-eighties, when India has reached a high level of agricultural production—foodgrain output has climbed from 50 million tonnes in 1950 to 150 million tonnes in 1983, and the government has accumulated a very comfortable food stock of nearly 30 million tonnes—the emphasis now should shift towards industrialisation, with an export market in view [Chakravarty 1987: 62; Raj 1986: 8]. The heart of the matter in the successful green revolution has been a new technology in agriculture. Today India's industry is also in dire need of a similar treatment.

The rate of profit, let us remember, is the single most reliable indicator of the state of affairs in a capitalist economy. Table 1 reveals that a sort of crisis was building up in the Indian industrial sector since the mldseventies. The year 1975-76 saw a perceptible drop in the rate of profit; and the subdued tone continued thereafter. There is an even sharper downward tendency in the profit rate since 1980-81. The new economic, policy is presumably the official response to this crisis. In its perception the roots of the problem are more deeply entrenched in the 'supply-side', than in the 'demand-side'.6 In any case, it would be easier to meet the demand-side limitations following the so called Brazilian model that banks on the purchasing power of the affluent few. The supply-side hurdles are, it is thought, more difficult to overcome; so they need widely sweeping measures. Here we shall consider only three aspects of the NEP: (a) expansion of the luxury goods sector, and promotion of exports in order to relax the demand constraint; (b) liberalisation of trade as a means of ensuring efficient resource allocation, and (c) technology policy for modernisation of the economy.

#### LUXURY-LED GROWTH

From the actions and policy statements of the government it was becoming clear that a major reversal in the strategy of growth was in the offing. It was being suspected by discerning observers for some time that the Mahalanobis model, the kingpin of India's policy structure, was being put on its head: instead of the capital goods sector, it would be the consumer goods sector that would be the targeted engine of expansion. A member of the planning commission put it forward explicitly in a workshop on the 'consumer goods industry as an engine of growth' organised by the Associated Chambers of Commerce and Industry in Calcutta on December 18, 1986. The new economic policy is based on the premise that it is the demand for goods and services of the relatively affluent sections of the population which (together with exports) can provide the impetus for growth of the economy, Itis acknowledged that the number of those who mostly constitute the market for industrial consumer goods in the country is no higher than 80 million, or roughly just

the top decile of the population. It is to satisfy the demand for goods and services of this top 10 per cent of the population that the economic system should be geared, according to the member of the planning commission. The 'immense purchasing power' of this section would not only make for the growth of consumer goods industries but should provide 'a new linkage between the capital goods and consumer goods industries', thus forming the basis for all round industrial development. This is the philosophy that underlies the NEP.

A new concept is born—the consuming classes'. It is only the top 10 per cent of the population who belong to that category. Even the distinction between essential and non-essential commodities is now being denied. "The pattern of consumption by the consuming classes of the population had now changed to a situation", said the member, "where the earlier distinctions between essential and non-essential commodities are no longer valid".7 This marks a fundamental break with the stand the planning commission had taken till even the recent past. In the Approach to the Fifth Plan of India (1974-79), for instance there was a clear emphasis that the 'luxury goods' sector, defined as Items which figured more or less exclusively in the consumption baskets of the first two deciles, must not be allowed to grow fast. Even an absolute decrease in the output levels of some of the non-essential and luxury goods sectors was envisaged [Chakravarty 1987: 35; Planning Commission 1973: 19]. Restraint on the output of non-essential and luxury goods has been a common feature in India's economic policy all through up until very recently. The about-turn by NEP in this respect has far reaching implications.

One possible rationale for this policy of luxury-led growth could be as follows. Like the efficiency wage that promotes productivity of labour there is presumably something that may be called 'efficiency consumption'. That is to say, there are some luxury goods which might serve as 'incentive goods' for the Indian middle and upper classes and make them more productive (an Indian twist to supply-side economics). Domestic production of these goods, it is conceivable to argue, would prevent the ongoing large-scale smuggling of attractive luxury goods from abroad, and thus might help in saving foreign exchange. While one cannot easily take a firm a priori stand on either side of this argument we can only remember that, as the simulations conducted by Planning Commission (1973) revealed, the consumption basket of the top two deciles of India's population is relatively more importintensive in the first place. It is difficult to say how far a larger volume of output of these luxury goods would help ease the strain on the balance of payments, on balance.

Demands are now being made on commercial banks to provide consumer credit at easy terms for purchase of durable consumer goods. If the history of other countries is any guide, the consequences are not altoge-

Under certain circumstances a reckless expansion in the production and supply of luxury goods—expensive durable consumer goods in particular-can have profound social, political and economic ramifications. To take an extreme case, the recent rise of bureaucratic authoritariansim in some of the relatively developed Latin American countries can be, at least in part, attributed to the compulsions of production and sales of durable consumer goods meant for the affluent few. When industrialising countries with the income distribution typical of Latin America move into the phase of stressing the domestic manufacture of automobiles and other durable consumer goods, their politics, it is feared, is likely to move in the authoritarian and repressive direction. The reasoning is as follows.

It is relatively easy to stimulate the appetite of middle-and upper-Income receivers for fashionable consumer durables, and therein lies the scope of fostering rapid growth in a spectacular way. Once such industries are in place, the increase in income that comes with economic expansion must be channelled to the prospective customers. The poorer sections are at a hopeless distance from being purchasers of these products and would merely 'waste' any increased earnings on rice and beans; their income must, therefore, be kept from increasing, the more so as the latter items are in inelastic supply. But in order to achieve and sustain that sort of consumption profile, political repression and authoritarianism are required [Hirschman' 1979: 80].9

India differs in several respects from a typical Latin American country. Yet it is undeniable that a policy of luxury-led growth in India would set in motion the forces that have created havoc in some of the relatively developed Latin American economies. In Appendix A we give a theoretical argument as to how an expansion of luxury goods tends to impoverish the poor and reward the affluent few with a greater volume of consumption.

It is known that industrialisation in the Latin American newly industrialising countries (NICs) has been more unstable, unequalising and crisis prone than in the Asian NICs. Part of the explanation for this contrast can be traced to the differences in consumption patterns in relation to domestic village industries. Under the influence of 'international demonstration effect' the affluent consumers in Latin American countries such as Argentina, Brazil and Mexico have shifted their preference far more radically to imported items, thus making the balance of payments all the more vulnerable. In Japan, South Korea, China, Taiwan and India, by contrast, the rural artisans have traditionally been the prime sources of supply of fashionable items. This system has continued well into the era of industrialisation [Felix 1985; 1986]. If the new economic policy in India is trying to emulate the Latin

American way of industrialisation through luxury goods the long-run consequences may not be agreeable.

#### **GROWTH-LED EXPORTS**

The direction of causation between growth and export is not yet known with certainty [Marshall 1985], Export can perform two functions: It can be used as an additional source of demand, or it can be looked upon as a necessary endeavour in order to earn foreign exchange for financing imports. In India the latter has been emphasised till recently. The new economic policy recognises the importance of both the roles of export; and now a greater amount of attention is being paid to the former. The Report of the Committee on Trade Policies [1984] has set the framework for official policy. It is believed that there is no possibility of export-led growth; the share of exports in GNP is too small, between 4 and 7 per cent only. Indeed, growth-led exports are the more likely scenario in India. The report has called for liberalisation of trade.

The study of Bhagwati and Desai [1970] did theoretical and empirical groundwork for the widely prevalent impression that the Indian market is highly protected. The effective rate of protection computed in it for various commodities was indeed quite large. The Bhagwati-Desai conclusion has been challenged by Nambiar [1983a]. There are two ways of calculating the world market price of commodities that goes into the index. One is to straight away take the unit value charged by exporters or importers, as the case may be, from the recorded statistics of foreign trade. The other is to apply certain corrections on the domestic price, taking into account tariff rate, quota restrictions, scarcity premium on foreign exchange, and the like, to arrive at the estimated world market price.10 None of these two procedures is free from all blemishes. Bhagwati and Desai [1970] opted for the second method, while Namblar [1983a] resorted to the first. And the difference in their results is striking.

In comparison with the Bhagwati-Desai estimates [there are some questions about the very comparability; see Ray 1983], the Nambiar estimates show a much lower rate of protection. Furthermore, it is found that the rate is falling over time. This should remove the myth that India's industry (with the exception for part of the capial goods sector) is heavily protected.

The import substitution policy followed so far in India would imply that capital goods are protected. This is borne out by the figures in Table 2. Domestic sales of the product groups listed in Table 2 are indeed far more profitable (compare columns 2 with 3, and 4 with 6) than export sales. If Now, for boosting exports it is required that capital goods should be available to user industries at competitive prices. This condition evidently is not satisfied in India. The policy for export promotion thus apparently leads to

that for liberalisation of import of capital goods. But, one might ask, is import the only way to ensure availability of capital goods at competitive prices? Can the efficiency of domestic capital goods industries not be improved through innovations? We shall return to it in a moment.

#### **EFFICIENT RESOURCE ALLOCATION**

It is a recurrent theme in the writings of several economists [eg, Bhagwati and Desai 1970; Bhagwati and Srinivasan 1975; 1984] that the foreign trade regime in India, marked as it is by various qualitative and quantitative restrictions is inimical to efficiency of resource utilisation. The new economic policy shares this concern.

The world trade market, one must remember, is far from the Walrasian model of competitive general equilibrium. Elements of monopoly are all too dominant there. It can be shown (Appendix B) that removal of tariff in an imperfectly competitive situation does not necessarily bring the import price of a commodity any closer to the marginal cost.

Let us see what is exactly happening in India. The liberalisation of import of capital goods goes back to 1978 when the government decided to permit units in selected industries to meet their capital goods requirements through global tendering. In subsequent phases of liberalisation of import policy too capital goods have figured prominently. The rates of import duty on a variety of capital goods have been brought down. In the 1985-86 budget the duty on project imports for power plants was lowered to 25 per cent, and project imports for the fertiliser industry were made duty free.

The case of machine tool has become

curious. In this sector, while domestic production met 86 per cent of total requirements in 1978, the corresponding figure came down to 62 per cent in 1984 as a result of import liberalisation. What is prore interesting, the fiscal policy has become biased against domestic production of more recent types of machine tools, particularly the more modern computer numerically controlled machine tools, CNC in brief. If a CNC machine tool is imported, the duty on it is only 45 per cent, whereas if components of similar or even the same machines are imported, one has to pay a duty at 85 per cent in addition to excise duty and sales tax. All this actually adds up to over 100 per cent of the value of the indigenously assembled machine as compared to only 45 to 50 per cent on a completely imported machine tool of equivalent type [Chakravarty 1987: 100-1; Patil 1986].

Furthermore, the availability of foreign equity capital and credit at lower interest rate abroad has made import of capital goods doubly advantageous. India's capital goods industry is thus facing a double challenge: competition of import of products, plus the awful might of financial facility at the hands of multinational corporations. It is no longer a case of optimal allocation of domestic resources keeping in view the opportunities of foreign trade, but a scramble for maximising the import content of investment projects lured by the carrot of easier foreign financing. Even then the signs of modernisation of India's industry, if any, are scarcely visible. India's industrialists have received this part of the NEP with mixed feeling. Even the biggest and the most resourceful among them have shown little urge for the type of technology-and capital-intensive,

long-gestation, relatively high-risk investments that modernisation of the Indian economy calls for. And this is one place where the new economic policy is threatening to come apart. 12

#### **TECHNOLOGY**

India has the distinction of being the first among developing countries to have built up a diversified capital goods sector. Admittedly, now a large part of that sector is already saddled with obsolete and old machines; this is true for the entire industrial structure. What is more, a new wave of innovations is sweeping the world which is on the threshold of the third industrial revolution. The technological advances in the period immediately following the Second World War were concentrated in synthetic materials, petrochemicals, nuclear energy, jet air craft, and computer and electronic products. Great strides were then made in telecommunications technologies, microelectronics and robotics [World Bank 1987: 43]. India has not taken full advantage of the progress in technology. It can delay the upgradation of technology only at its own peril.

The new economic policy extends very liberal terms for the import of technology. There are several inviting features in it. In order to import high technology on a continuing basis and to take advantage of upgradation of their technology by foreign suppliers, equity participation of foreign suppliers in business ventures which seek to import high technology will not only be permitted but preferred as a policy over outright purchases of technology from abroad. It is hoped that a direct stake of the foreign suppliers of technology in the ownership and management of business ventures to which such technology is transferred would ensure continuous upgradation. Equity participation by foreign suppliers would be encouraged and preferred in new as well as existing cases of collaboration for high technology. Such a policy, one can see, would prompt an Indian entrepreneur to raise the import content of his investment project [BM 1987]. The present drive for technological modernisation as it is might then lead to a sort of technological backwardisation. 13

Adam Smith saw in the division of labour the mainspring of economic growth. And, we know, the division of labour is limited by the extent of the market. As the market grows so does the specialisation of labour. For innovations to take place it is essential that there is an adequate measure of dlvision and specialisation of labour. That is to say, it is a precondition for the very birth of innovation that there must be a sizeable market, to begin with, of the related products in question. This proposition is borne out historically, and it can be illustrated with reference to the differential developments of technology in the US on the one hand, and England on the other, in the 19th century.18.

Paced with the scarcity of labour suppose the United States adopted a capital-intensive

TABLE 2: DOMESTIC RESOURCE COST, EFFECTIVE RATE OF PROTECTION AND THE RATES OF PROFIT: 1980-81

Product Group	Domestic Resource Cost (DRC)	Protecti	e Rate of on (ERP) Cent)	Gross P Export Per C	Gross Profits on Domestic	
	(Rs)	Export Sales	Domestic Sales	Expor Without Incentives	1 Sales With Incentives	Sales as Per Cent of Doinestic Sales
	(1)	(2)	(3)	(4)	(5)	(6)
1 Cables	5.1	3.1	-11.5	4.3	22.0	19.8
2 Auto ancillaries	5.5	-22.0	-15.6	4.2	17.0	21.6
3 Switch gears	5.8	-46.5	10.5	42.9	48.2	13.0
4 Steel tubes and pipes	s 5.9	-18.9	- 20.2	-40.8	- 23.5	13.1
5 Machine tools	6,2.	-3.0	8.5	- 30.8	11.8	23.3
6 Commercial vehicles	7.1	29.2	8.3	3.8	24.1	11.4
7 Ceramics	7.6	32.3	35.4	- 34.1	- 20.9	29.0
8 Hand tools	7.9	- 18.0	53.5	- 8.5	3.3	21.4
9 Textiles .	10.2	-17.9	65.4	-18.0	-6.4	9.2
10 Sheet glass	10.3	9.2	- 96.8	-24.5	- 6.9	9.2
11 Wire ropes	10.4	-69.6	103.1	-14.9	-1.2	14.1
12 Ferro Alloys	10.8	-49.3	480,9	11.1	11.1	18.8
13 Textile machinery	11.1	-11.9	101:4	1.0	16.1	17.0
14 Dyes	11.9	-68.5	469.2	- 57.3	-31.2	13.8
15 Castings and forging	s 15.9	-183.0	324.3	-35.1	-18.8	23.0

Notes: (1) The exchange rate used is US \$ 1. = Rs 7.96.

(2) For farro alloys the figures of cols 4 and 5 relate to 1979-80.

Source: ICICI (1985).

technique, given the technology. Now as capital goods are produced and their market grows, the division of labour proceeds further, and at one stage it helps bring about a major change in the technology itself. Any improvement in any part of the capital goods sector is a capital-saving innovation for the economy as a whole. Herein lies the clue as to why, while the US could innovate a capital-intensive technology, the underdeveloped countries could not, by the same token, innovate a labour-intensive technology. Innovation of any kind, labouror capital-intensive, requires the prior existence of a capital goods sector of an appropriate size. In the absence of large capital goods producing industries there can be no innovation at all of any kind. This is precisely the reason why under-developed countries failed to generate their own labourintensive technology, which is separate from adopting a labour-intensive technique.

If the policies of sectoral investment and import of eapital goods and technology erode the domestic production of capital goods—there are plenty of evidence pointing in that direction in India today<sup>15</sup>—it would cripple the economy's capacity to absorb technology and innovate further.

#### **CONCLUDING OBSERVATIONS**

The new economic policy, in sum, is elitist in its orientation. As a result, it may lead to immiserisation of the poor, unless countervailing measures are taken. Going by the history of some relatively developed Latin American countries one might say that the import-intensive consumption that is being fostered under the NEP would make India's economic development unstable, unequalising and more crisis prone than ever before.

Production of capital goods is the nursery of technological innovation. Indiscriminate imports of capital goods and technology might reduce this sector. If so, the ability of the economy to absorb, assimilate and innovate technology might diminish. India's capital goods sector is being exposed to not just the competition of foreign products; but it is facing the combined challenge of imported products and associated financing by multinational corporations. The investment behaviour of India's public and private sectors under these circumstances is more akin to the maximisation of import content of projects than to the neoclassical paradigm of efficient utilisation of resources that are

There is an unending debate on the merits and demerits of liberalisation; and the literature is vast [see, for instance, Herring 1987; and Krueger 1978]. Harberger [1959] made one of the earliest attempts to quantify the benefits of liberalisation; his analytical tools were arguably somewhat crude. Now more sophisticated methods are available, e.g., Empirical General Equilibrium (EGE) models based as they are on Walrasian postulates of perfect competi-

tion, constant returns to scale, and the like. What are the findings? Stinivasan [1986], for instance, reports that the simulation results of most EGE models Indicate miniscule gains—around 0.3 per cent of GDP, if at all—from trade liberalisation. What is more, an equilibrium with free trade need not be Pareto-superior to that with trade restrictions; indeed, some developing countries can be hurt in global free trade regime as compared to status quo.

India is facing a real dilemma, particularly in respect of technology. Much of the plant and equipment, having been set up years ago, need modernisation, specially in view of the rapid technological change that is sweeping the outside world. India did have a long-term perspective, by way of the Mahalanobis model, for production of capital goods; but there was no place for technological progress in it. As far as one can see, for technology planning there was nothing comparable to the Mahalanobis model for capital goods, that could take the macro-economic externalities of technology into account and place the costs and benefits in a long-term perspective. One doubts if there is any even now. 16

To return to the two and a half paradoxes, what do they add up to? At the very early phase of green revolution in India's countryside the late Daniel Thorner, with his discerning eyes, spotted the emergence of 'cowdung' capitalism. That was about two decades ago. The gentlemen farmers of those days meanwhile had got mingled with country folks. The next generation is on the scene now. It is a new breed of capitalists operating as they are in the intermediate zone of agriculture and industry. They have a family resemblance with the middle class in an 'intermediate regime' of Kalecki [1967]. With investible funds accumulated from the labours of green revolution they are eager to venture into the field of industrial capitalism. But the entry point to industry, namely, a small firm, does not seem very attractive in terms of the profit rate, and the future prospects are dim as the profit rate is quite volatile over time.

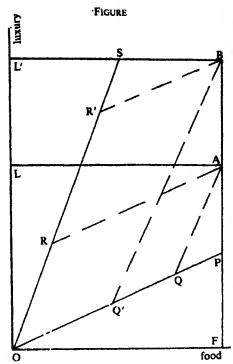
Under the new economic policy the economy is opened up both within and without. Big industrialists, on balance, would gain from it; but the position of small capitalists, particularly the new ones, Is dubious. A small capitalist is threatened from both sides: from above by the powerful monopolists, domestic and foreign; from below by the workers. Unlike a big capitalist he does not enjoy the benefits of super profits, that flow from control over high technology, dominance in product, input and credit markets, and access to the corridors of political authority. 17 Under the dispensation of NEP the local market for simple, unsophisticated products, in which a small capitalist often has comparative advantage, would shrink. True, much of the newly innovated technology is, in principle, scale neutral. But, given the institutional set up of India today, a small capitalist may not be in a position to reap benefits from it. One need not be surprised if a notable success of the green revolution in India, namely, spawning a generation of farmer-capitalists, ends up in failure as the process of transition from cowdung capitalism to what may be called 'silicon' capitalism is aborted in the midway with the advent of the new economic policy.

The conditions of economic progress have changed through the ages. In the days of classical economists it was thought that the endowment of natural resources held the key to development. With the evolution of factory system, machine-based industry grew and spread, and the produced means of production came to the centre stage. The economy was no longer unduly constrained by static geographical features; it became responsive to accumulation of capital goods by deliberate social effort. In course of time technology came to be recognised as the crucial variable. The post-War decades have seen rapid structural changes in world trade and production. Financial capital began to flow around the globe at the speed of an clectronic impulse. Production facilities can be established anywhere, and technology transferred or transplanted. India, if oriented towards the needs of 10-15 per cent of its population, can do it, even with her proven resources, provided we know how to organise things somewhat better. Herein lies the crux of the matter. India has, quite justifiably, a wide set of objectives, not a narrow vision of affluence for the few. India must find along with new technology newer ways of involving people in the development process. It is the human capital, as it were, that is all the more critical. The task is not only to utilise the existing resources efficiently, but also to augment the totality of resource base. In India today a broad national consensus on the strategy is essential for robust economic growth.

#### **Appendix**

#### (A) DEMAÑD TWIST

Consider an economy with two groups of people: rich and poor, and two commodities: food and luxury. The relative price of food and luxury is constant. The rich have a linear expansion path of consumption OS, and the poor have a similar path OP in the Figure. OS is steeper than OP in that the rich have a higher intensity of consumption of luxury, while the poor have a similarly higher intensity for food. That is to say, the marginal propensity to consume luxury by the rich is larger than that by the poor; and conversely, in the case of food. The difference is not due to any presumed dissimilarity between individuals' tastes and preferences, OS is steeper than OP for the following reason. The rich are smaller in number than the poor; therefore, any commodity basket if given to the rich would entail a higher per capita consumption than if it is given to the poor. By Engel's law ex-



penditure on food rises less than proportionately with total income or expenditure. The consumer's expansion path is piecewise linear.

The initial situation is described within box OLAF. Food output is OF; luxury output OL. Point A represents this combination. With the prevailing techniques of production, wage rate and profit rate, this given set of output generates a particular distribution of income for the rich and the poor. Regardless of that distribution, their consumption must be such that the markets of food and luxury are cleared in the aggregate, keeping the rich and the poor somewhere on their respective expansion rays, OS and OP.

To find equilibrium positions of the rich and the poor in box OLAF, draw AR parallel to OP, and AQ parallel to OS. Then the rich must be at R, and the poor at Q. Vector OA (not drawn) is the sum of vectors OQ and OR. Thus demand and supply are in balance in two commodity markets.

Now, food output remains at OF, but suppose luxury output rises to OL', so B represents the new configuration. Consider box OL' BF. Draw BR' parallel to OP, and BQ' parallel to OS. Then, in a market clearing equilibrium, the rich must be at R', and the poor at Q'.

Thus an expansion of luxury output impoverishes the poor; they are worse at Q' in comparison with Q. It improves the position of the rich, R' being superior to R. This proves the phenomenon of demand twist [Sau 1985].

#### (B) FOREIGN PRICE TWIST

Let the demand curve for a particular product in a given economy be as under:

Q=a-bP ...(1)

where Q is quantity, P price, and a and b are positive constants. This commodity is imported from abroad at unit value P\*. If the ad valorem tariff rate is t, then evidently:

 $P = P^*(1+t)$  ...(2) The foreign supplier is a monopolist in this market. The average and marginal costs of production are equal and denoted by c. Following the principle of mark-up pricing, the foreign supplier sets the unit value as follows:

 $P^* = c(1+m)$  ...(3) where m is the mark-up rate. From (2) and (3) we get:

P = c(1+m)(1+t) ...(4)

Note that the total revenue received by this foreign monopolist exporter to this country is not PQ, but P\*Q. The total cost of production is cQ. Subtracting cost from revenue we get the profit earned by this firm. Maximising profit with reference to the rate of mark-up m we find:

 $1+m = {a+bc(1+t)} / 2 bc (1+t) ...(5)$ From (4) and (5) it follows that:

$$P = c/2 + a/2 b + c t/2$$
 ...(6)

A rise in tariff rare t raises the domestic price P, but less than proportionately.

On the other hand, from (3) and (5) we find:

$$P^* = c/2 + a/2 b(1+t) \dots (7)$$

It is obvious from (6) and (7) that the response of P\* to a change in t is different from that of P. In (7), P\* and t move in opposite directions. Therefore, a policy of trade liberalisation whereby the tariff is removed or reduced does not necessarily mean that the price charged by the foreign supplier P\* would be brought to equality with, or nearer to, the marginal cost c; on the contrary, the difference between the two will be aggravated. Thus, (7) proves the phenomenon of foreign price twist [See also Nambiar and Mehta (1987), Sapir (1987) and Sau (1987)].

#### Notes

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- 1 As Myint [1972:160] puts it: "The purpose of the Green Revolution is to promote development by lowering food prices and raising income".
- 2 The Reserve Bank of India in its monthly Bulletin publishes financial statistics of joint-stock companies, both private and public limited. Companies are classified into three groups with reference to paid-up capital; small (less than Rs 0.5 million), medium (between Rs 0.5 million and Rs 10

million), and large (Rs 10 million or above). Sample size and coverage often vary from one survey to the other making Intertemporal comparison somewhat hazardous. There are instances where for the same year the RB1 gives different figures in the successive issues of the Bulletin. In such cases we have taken the figure given latest by the RB1 for the concerned year. As for comparability over time, since we are concerned with ratios, like the rate of profit, it is presumed that variation in sample size and coverage should not vitiate the inference. For further details see Sau [1983].

3 The findings of Harriss [1987] seem to confirm that agricultural growth has weak linkages with local industrial activities.

- 4 A new index of industrial production has been constructed with base at 1980-81; it shows a faster rate of growth in comparison with the earlier index that had base at 1970. See Government of India, Economic Survey, 1986-87.
- 5 The Report of the Working Group on Savings [1982] appointed by the Department of Statistics, Ministry of Planning, notes that the estimate of savings does not directly measure the capacity of the economy to add to the stock of domestic capital. In India the price index of capital goods had risen faster than the GDP deflator since 1974-75. Hence the data of savings overestimate the capacity to invest. To put it differently, the rate of gross fixed capital formation has been less than what the savings figure might indicate.

6 For a discussion on similar issues in the United States see Bowles, Gordon and Weisskopf [1984].

7 EPW, December 27, 1986: 2243. The distinction between essential and luxury goods is found in classical economics. Ricardo, in his controversy with Malthus on the issue of glut, assigned an important place to luxury goods for maintenance of balance between aggregate demand and supply. Besides, such goods have a place in the Ricardian theory of accumulation as well, in that the capitalists' investment behaviour is affected by them. See Casarosa [1978].

Marx also distinguishes between wage goods and luxury goods. Among contemporary economists Kalecki is well known for his insistence on the difference between the two categories of goods. Neoclassical economists are not accustomed to making such a classification of commodities.

- 8 Interest rate would be under pressure, it can be shown, and investment activity as a result would be discouraged.
- 9 The post-1964 development in Brazil provides a clear example of what is called the demand twist. An uncontrolled expansion in the activities of multinational corporations in Brazil is said to have resulted in an ample supply of durable consumer goods. In order to get an attractive market for these products income must be highly concentrated at the top and, for a given family income, demand needs to be twisted towards; them, indeed in a sample survey of twenty; one countries from all continents Brazil was found in the early seventies to have the largest share of income going to the top 20.

- per cent of the population [Bacha 1980: 28-29].
- 10 Nambiar [1983b] shows that there are close links between unit value changes in foreign trade and variations in India's domestic prices especially in basic consumer goods and intermediaries. However, unit values provide no significant explanation for domestic price variations in most of machinery and transport equipment.
- 11 World Bank [1985], however, reports that India's non-electrical machinery manufacturing is competitive in the world market.
- 12 EPW, July 19, 1986.
- 13 This is the remaining one-half of a paradox out of the total of two and a half cited in the subtitle of the paper.
- 14 For discussion on related issues see Habakkuk [1962]; Hicks [1959]; Stigler [1951]. The following argument draw upon Rosenberg [1963].
- 15 See Bhagvan [1985]; Bhalla [1986; 1987];
   BM [1987]; Chaudhuri and Moulik [1986];
   Edquist, Jacobsson and Jethanandani [1985]; Ghosh [1986]; Minami [1984];
   Parthasarathi [1987]; Patil [1986]; Sau [1988]; and Vyasulu [1986].
- 16 Japan's records in this respect are instructive; see Morishima [1984: 252], and also Bhalla [1987].
- 17 For an analysis of this issue in a value theoretive framework of Sraffa, sec Sau [1986].

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# Critical Evaluation or Toeing Official Line?

## Report on a Rehabilitation Project

#### Meera Bapat

The Pune Municipal Corporation is executing a large squatter rehabilitation project involving the shifting of 10,600 families living in seven shanty settlements. A government-sponsored evaluation report has claimed that the project provides an opportunity to low-income families to shift voluntarily from a large squatter area to a planned site. The project has been acclaimed as a 'new formula' which 'throws light on the possible elements of a new, appropriate urban development management system'. This paper takes a critical look at the rehabilitation project and the claims made on its behalf in the official evaluation report.

CAN it be that a government sponsored evaluation of a government project is primarily done to legitimise the project? What is justified in such an evaluation, to what end and at whose cost? These questions pose themselves in relation to "an indepth critical evaluation" of a large project being implemented by the Pune Municipal Corporation and which Involves rehabilitating squatters. There is no attempt to suggest here that all evaluations of government projects are done with a specific objective of justifying them. If, however, an evaluation uses available information selectively and refrains from asking obvious but inconvenient questions, it raises questions regarding the purpose of such a study and more fundamentally of academic ethics.

#### REHABILITATION PROJECT

The project involves the shifting of 10,600 families living in 7 shanty settlements, most of which are located south-west of the inner city. The sites chosen for relocating them are at Bibwewadi and Dhanakawadi near the southern fringe. According to the evaluation report, the project provides an opportunity to low-income families to shift voluntarily from a large squatter area on a hillside to a planned site. The report notes that these slums, being either on steep slopes or in lowlying areas, cannot be improved by providing basic facilities. Besides, most of them are located along the Mutha Right Bank Canal which supplies water that is distributed to the city after treatment. Because of the lack of piped water supply in these settlements, the residents use the canal as their main supply of water for drinking, washing and bathing. Since there are no toilet facilities, the canal embankment is used for this purpose. This pollutes the canal water. The report states that "the initial concern of the Pune Municipal Corporation was the pollution of the Right Bank Canal and a middle class distate held by decision-makers for 'slums' in general. The municipal commissioner of Pune at that time held a categorical view that all the seven slums on Parvati Hill should be totally shifted."

The report then gives a brief history of the project since its formulation in March 1983 till June 1986 when approximately 4,000 families had shifted. The progress of work in the initial stages was remarkable. In July 1983, elected members in the municipal corporation and members of the state legislative assembly from the city approved the project proposal. After several revisions it was sent to the state government which gave its consent in September 1983. The Pune municipal corporation expected to receive Rs 12.2 million from the Maharashtra Housing and Area Development Authority (MHADA) under their sites and services scheme and requested the state government to sanction a grant of Rs 9.8 million as a special case. In October 1983, sites to be acquired for the project were identified. A census of the settlements earmarked for relocation was conducted by the municipal corporation in November 1983 and on its basis each household was given an identity card.

In December 1983, an official announcement of the project was made. Land acquisition proceedings were started and within a month the municipal commissioner was asked by the collector of Pune to acquire 27 hectares of land. The project was inaugurated by the chief secretary, government of Maharashtra, in March 1984. The site development work began soon after that the designs for dwellings and layout plans were finalised. By April 1984 tender notices were issued for selecting building contractors and in June 1984 sample houses were constructed on the site by the selected firms. During this period the municipal corporation approached the Housing and Urban Development Corporation (HUDCO) for housing loans for individual participants. After negotiations with HUDCO and the Bank of Maharashtra (a nationalised bank) it was decided that HUDCO would give a loan to the Pune municipal corporation which would transfer it to the Bank of Maharashtra for disbursement to individual participants. The bank would also collect from the individuals loan repayment instalments and pay them back to HUDCO. The bank would receive a nominal commission for doing this work.

In March 1985 the municipal corporation requested the Social Welfare Department of the state government to give subsidies and loans under an existing scheme to slum dwellers belonging to the Backward Class. Until April 1986 about 360 households had received a subsidy of Rs 2,500 each. (The report does not give the number of households who are eligible to get loans and subsidies under this scheme and the number of such households who have applied. At least

50 per cent of the households from the total, however, belong to the backward class. It is reliably learnt that not many more than the 360 mentioned in the report have been granted loans subsequently; some of those who were not sanctioned loans under this scheme, after 18 months or 2 years after completing the application formalities including depositing the required down payment, have unauthorisedly occupied the new houses.)

Under the scheme the new accommodation is given on a 99 year lease. Each family can opt for either a tenement (a room 12.5 sqm on a 25.6, 28.0 or 37.12 sqm plot of land and a latrine and water connection) or a developed plot of land (25.6 sqm with a latrine and water connection ) and build its own shelter by raising its own finance for it. The minimum cost of a tenement is at present Rs 14,750 and the maximum Rs 18,300. A serviced plot costs Rs 5,500. After a family deposits the required margin money (Rs 3,500 or Rs 4,200 for a tenement and Rs 250 for a serviced plot), the loan is sanctioned and new accommodation is allotted as and when it gets built. When a family n. oves into the new home, it must pull down its former house and give possession of the vacant land to the municipal corporation. The loan has to be repaid over a period of 15 years. The repayment charges range from Rs 110 to Rs 140 a month for a tenement and Rs 35 for a serviced plot. In addition, each family is required to pay every year water charges and property tax to the municipal corporation.

#### FINDINGS OF THE SURVEY

The report then presents findings of a survey of the households earmarked for shifting. For the purposes of the Investigation the target population was divided into four groups classified on the basis of their "level of participation in the project":

- those who have already shifted into their new homes (19.8 per cent of the total);
- (2) those who are waiting to shift on the completion of the construction of tenements (23.8 per cent of the total);
- (3) those who initially wanted to participate but have withdrawn their applications subsequently (5.7 per cent of the total); and
- (4) those who do not wish to participate in the rehabilitation scheme (50.7 per cent of the total).

The findings of the survey show that those households which have permanent and regular sources of income, substantial savings and access to funds have come forward readily to participate in the rehabilitation scheme. The report further notes that the casually employed (61 per cent of the nonparticipants, i e, group 3 and 4) do not wish to shift because they work where and when work is available and have unsteady income. Besides, they do not have any savings to deposit the required down payment and are unable to secure bank loans because they can neither arrange for guarantors nor can they produce income certificates. (Nearly 60 per cent of the non-participant households have income below the poverty line defined by the Planning Commission for the 7th Plan period as Rs 7,300 per annum for urban areas). The report concludes that "those in the poorest deciles are compelled to expend a major portion of their income on food and fuel for cooking. Income left for shelter and transport expenses is very small. Therefore, many households who may desire to participate simply cannot afford to do so. Food is accorded the top priority".

The report also notes: "Another constraint is location, as those in the poorest groups have very little money to move from home to work and back. Thus, it is no surprise that fewer participants come from the poorest households."

The report observes that nearly half of those who have shifted have made no further improvements or additions to their tenements. Of the other half, 36 per cent spent between Rs 5,000 and Rs 10,000 and 32 per cent more than Rs 15,000. This, according to the report, indicates an underutilised capacity among the better-off group to expand or improve their new houses.

A sizeable proportion of the participating families lived in pucca (15 per cent) and semi-pucca (60 per cent) houses prior to shifting. The report, therefore, observes that more than the acquisition of a pucca house, it was the security of tenure offered in the rehabilitation scheme that the participants considered important.

Among the non-participants, a large majority of the households have made a substantial investment in their houses over the last 10 to 15 years; 31 per cent of the households live in pucca and 44 per cent in semi-pucca houses and only 25 per cent have kutcha dwellings. The report, therefore, notes that "investment made in their houses including operating shops or business in their houses have rendered a shift to the rehabilitation project uneconomical".

The survey asked questions to nonparticipants regarding the type of incentives that would encourage them to shift. Some of those who mainly stay in relatively better houses mentioned payment of compensation for their investment. Other answers included provision of subsidies and interestfree loans or granting of loans without guarantors. The report notes that "loans without guarantee" are, in fact, their code words for a free house. There is a significant proportion (17 per cent) of the nonparticipant households which does not wish to leave their existing settlements whether or not incentives or assistance are made available. These households, however, did not disclose their reasons for their unwillingness to shift. The report does not give any analysis of the socio-economic situation of these households which may help in understanding their stand.

#### **CASE STUDIES**

Five case studies illustrate the different responses of the people to the rehabilitation scheme. The first case study describes the predicament of a head clerk in a government office who, if he shifts to the new housing, would lose most of his investment made in his existing house. He presently lives in a house which is much bigger and better finished than what is being provided in the rehabilitation scheme. He is anxious, however, that as more and more people leave the settlement his position would become increasingly vulnerable. The second case study describes a tamily that lived in an old, authorised house in the heart of the city before moving into one of the shanty settlements now earmarked for relocation. The family is too poor to raise the amount necessary for the down payment. The head of the household does not have a regular job and is, therefore, unable to fulfil the requirements for obtaining a loan.

The remaining case studies represent those households who have moved into new houses. They have steady jobs and are relatively well paid (one family of 8 has a total income of Rs 1,850 a month). They have been able to borrow sufficient additional money from various sources to extend their new tenement. With loan repayment instalments and additional expenditure for transport, however, they are finding it difficult to make ends meet. In one case the wife's income has decreased due to the move to this distant location and although the family is at present managing somehow it is not sure how long it will be able to continue to do so.

Based on these findings, the report draws "lessons" which reveal the "possible elements of a new, appropriate urban development management system which is capable of including low-income families in an orderly, affordable and legal growth pattern".

# 'LESSONS' FROM REHABILITATION SCHEME

The report concludes that the project evolved from an initial top-down approach to one of constructive interaction. Although it is focused on 10,600 slum dwelling families, it takes a holistic view of legitimate interests involved by creating an opportunity for low-income families for owning developed plots, paying compensation to landowners whose lands were occupied by squatters and by creating new amenities and open space in the heart of the city. The project creates 'city citizens' out of squatters and gives them

"a base from which the economic and social advancement of these participants proceed". The project offers a guaranteed shelter to those who have no legal shelter opportunities and have to live in constant fear of eviction. As against the traditional 'slum clearance' scheme in which the people are exploited by being evicted, in the rehabilitation project the investment made by squatters is recognised and protected through provision of transport to shift their building materials on demolition of their houses. The project recognises that a range of needs and means exist within poor households and therefore provides for shifting in different phases, making participation in each phase voluntary and offering a range of choices from completed houses to serviced plots. The report, however, notes that "greater understanding is required of the wide per capita income ranges amongst the poor and the appropriate actions required to facilitate participation of each sub-group".

The evaluation report further notes that the relocation sites were chosen after considering site constraints and potentials and that the selection has proven to be favourable to the low-income families. The report, however, suggests that "smaller clusters of sites in dispersed locations would have been more advisable".

The report observes that "the participants now have user-end access to critical environmental supports" (i e, potable water supply, sewerage and drainage, electric connections, pathways and basic health-care) which are envisaged to reduce mortality rates, morbidity levels and increase life expectancy. These efforts would be amplified, the report suggests, by supporting a committed voluntary agency.

The report claims that since the squatters are not dispersed to different locations, they retain their "independent social relations from which they derive economic and social security". It further observes that "the process of participation and change has generated a self-organised and indigenous leadership".

The report notes that the project achieves speedy land acquisition. It has made institutional finance for shelter available for the poor. However, to make this finance even more accessible, steps need to be taken to make it possible for wage earners to get loans, documentation procedures need to be simplified, and loans need to be made available for the purchase of shops and work places. The report suggests marketing a more flexible range of loans, 'telescoping' repayments so that they are lower initially and higher in the later years, making available small, short-term loans at high interest rates and no collateral, and loans for self-help buildings on serviced plots.

The report lauds the project for using "professional administrative methods, urban planning and management supported by politicians" which represents "a noteworthy case of a local authority functioning for the best interest of all its citizens in a constructive manner". The report also praises the

effective co-ordination between diverse legal, rinancial and administrative institutions and terms it "a maturing of government as end results were put before bureaucratic rules and procedures".

The report is critical of the project because it involves the building of houses employing industrialised, mass housing techniques and this uses scarce capital and involves greater overheads and profits as cost components. It suggests instead a system using self-management and self-help construction by the people themselves. It also recommends somewhat larger plot sizes for the reasons of adaptability and flexibility to accommodate future expectations and for opening options.

The report cautions against adversaries in the form of "vested interests who prey on the poor's disadvantaged position" and who may impede the "progressive action" such as the relocation project. It recommends keeping constant vigilance "over key points where sidetracking of such projects takes place through legal, political or administrative tactics".

Lastly, the report observes: "Combined with slum enhancement this project approach opens the door to a replicable, affordable pattern of providing shelter for the poor." It further stresses that if the "Bibwewadi Approach" forms the basis for new projects "we will be able to "go to scale" in providing all urban poor with secure existence and tenure in hygienic environment".

# PEOPLE'S RESPONSE TO THE REHABILITATION PROJECT

Before turning to an assessment of these "lessons' it is necessary to learn about the history of the project from the people's point of view, in order to understand better the implications of the lessons. The account of the people's response to the project does not find a place in the evaluation report. The following account is based on my documentation of the events which I have closely followed as part of my action-research on community organisations. The same information was easily available to the evaluation team also, from the municipal records and the local press.

The beginnings of the slum settlements which have been earmarked for relocation go back to the mid-1960s. Nearly 70 per cent of the population to be shifted occupies the northern slope of the Parvati Hill, the crest of which is adorned by historical temples. At the foot of the hill runs a major thoroughfare. The Mutha Right Bank Canal lies a third of the way up the hill and shanties occupy the hill slope on both the banks of the canal. The settlement on the upper slope of the hill, above the canal is visible from a large part of the city and the encroachment by squatters gradually creeping up the hall slope is regarded by most middle and upper class residents with loathing.

There are differences in the socioeconomic situation of the households which occupy the land at the foot of the hill and those who have on the upper slope above the canal. An overwhelming proportion of the households in the lower settlements comprises drought victims. Socially they are most underpriviléged (i e, belong to the official category of the backward class); they derive income mostly from unskilled casual work, rag-picking, hawking, portering, petty-trading, etc. A majority of workers in the upper settlement, on the contrary, have organised sector (industry or servicc) jobs or are skilled wage earners and as compared to those in the lower settlements are betterpaid. Socially and in terms of education also they are less deprived.

The beginnings of the upper settlement, Janata Vasahat, go back to the early 1970s, when a small group of drought-stricken families occupied the land above the canal. The settlement gradually grew further west. After the initial settlers had stayed for over a year without being evicted, the hill slope began to be occupied rapidly. The new encroachers were not desperate drought refugees. Many of the families moved to Janata Vasahat after having lived for generation in the inner city in authorised tenements which had become over time congested and dilapidated. In the absence of any other affordable housing to accommodate their growing families, they were forced to put up mauthorised sheller. Retired personnel from the armed forces also built their homes here on leaving the service and their official accommodation. In addition, there were families who migrated to Punc and through their contacts managed to get a small fot in Janata Vasahat to build their shelter On paying a "donation" for a kindergarten or a temple they were allotted a small plot to build upon.

The new encroachers were somewhat apprehensive in the beginning about building their unauthorised houses on the hill because they were aware of the hazards of encroaching upon the historically important Parvati Hill which is a symbol for Punc residents of the glorious Peshwa rule. As residents feared, the municipal corporation attempted in 1974 to demolish the settlement. However, political intervention stalled the attempt after only a few houses had been pulled down. Over the years Janata Vasahat has extended up the hill and further west and now accommodates, according to the municipal census of 1983, 3,855 families.

It was through newspaper reports that the shanty dwellers in the 7 settlements became aware for the first time that a scheme for relocating them had been formulated. Subsequently, leaflets giving tentative détails of the rehabilitation scheme and stressing that all the political parties represented in the municipal corporation had supported it were distributed to the settlement dwellers by the municipal corporation.

The information given in the leastlet stated that the housing loans would be given by a nationalised bank but it did not indicate the conditions of the loans. Subsequent reports in the local press mentioned the rate of interest to be 12 per cent per annum. An article <sup>3</sup> published in one of the local dailies

on the day the scheme was inaugurated by the chief secretary, government of Maharashtra, pointed out that the rate of interest was far higher as compared to that on loans given by the Housing and Urban Development Corporation (HUDCO). The government of India had specially set up HUDCO to make available loans at low rates of interest for housing for the poor. These loans were given to statutory bodies. If the municipal corporation negotiated for loans from a bank on less favourable terms than those offered by HUDCO, it would be failing in its duty towards the low-income residents. At the function organised to launch the scheme in March 1984, the people interested in the rehabilitation scheme pointed out this lapse to the dignitaries who were present. Soon after this event municipal officials began negotiations to obtain loans from HUDCO.

On learning about the proposed scheme, a committee consisting primarily of residents of the shanty settlements was formed to resist the relocation. It organised protest marches and made representations to the municipal officials to register their opposition to the scheme and to put forward their demand for the provision for basic facilities in their existing settlements.

The municipal corporation then decided to give the first priority to the shifting of the upper settlement, Janata Vasahat. Since then it is the residents of this settlement, who are under pressure from the authorities to shift to the rehousing sites. They are putting up a struggle to ensure continued existence of their settlements.

As the findings of the survey narrated in the evaluation report show, it is not the entire Janata Vasahat that is opposed to shifting. Many of those who have stable employment, who can raise the money for the down payment and can afford costs imposed by the loan repayment and transportation have eagerly moved to the new houses. They have taken the advantage of the opportunity to acquire an asset. Those who do not wish to shift constitute different economic groups. Those households who face the problem of too low and unstable income and no assets, form one group that is opposed to shifting. The other group that does not wish to leave their existing dwellings has made substantial investment in their houses. Many have put their entire savings, sold their assets or borrowed money to build, expand and improve their houses which are now almost permanent structures, airy and relatively spacious. Admittedly, they have occupied the land illegally and constructed unauthorised houses. They, however, argue that it is the failure on the part of the government to create opportunities for affordable shelter that has forced the normally law-abiding citizens like them to resort to extra-legal; means to satisfy their basic need for a decentshelter. They consider it unjust that they are. expected to pull down their existing houses without receiving any compensation and start making their homes all over again.

The residents of Janata Vasahat opposing

the relocation scheme organised demonstrations against its imposition. Nine of them went on a hunger strike to put forward their demand for basic facilities in their existing settlement. After negotiations with the officials two of the hunger strikers were "persuaded" to join the scheme.

Those who were fighting to save Janata Vasahat became anxious that their struggle was being weakened by those who supported the rehabilitation scheme. A rift developed between the two groups. Skirmishes broke out between the supporters and opponents of the rehabilitation scheme. A police station was set up in the settlement ostensibly to maintain peace and order. Some of the residents who opposed the scheme were chargesheeted by the police for impeding official work. The people started concealing their real feelings about the relocation scheme. A feeling of suspicion about each other grew among the residents.

In mid-August 1985 the municipal corporation, without any prior notice, arbitrarily pulled down 8 houses in Janata Vasahat. None of the families had taken possession of their new tenement after which they were required to demolish the old house. Four of them possessed identity cards issued by the municipal corporation. Even though the women showed these cards to the municipal officials who accompanied the demolition team, they took no notice, demolished the houses and carted away the building materials. A meeting was arranged that evening to explain to the residents that the municipal corporation had no authority to pull down without a notice the censussed houses or those which had not been vacated by the households participating in the rehabilitation scheme who had yet to shift. The people organised a demonstration as a gesture of solidarity and to protest against the brutal action of the officials. The officials returned the materials that had been confiscated but categorically told the people that no basic facilities would be provided in their existing settlement. Despite the large turn-out at the demonstration many residents were panic-stricken because ol what they considered as powers of the municipal corporation for arbitrary action.

#### THE LAWSUIT

Since protest marches and representations did not help in getting the municipal authorities to relent, a newly-formed committee of Janata Vasahat residents decided to file a legal suit<sup>4</sup> to get the High Court to direct the municipal corporation to provide basic facilities in their settlement. Their petition argued:

(1) Shifting them did not solve the problem of contamination of the canal water since the urban extension outside the city limits towards the reservoir contributes equally, if not more to the pollution of the canal. Experts had drawn attention to the dangerously high levels of this pollution and had categorically pointed out that the shanty dwellers living on the

- slopes of the Parvati Hill could not be held solely responsible for it, and that the only effective remedy to remove the health hazard was to bring the water from the reservoir to the city in pipes.<sup>5</sup>
- (2) The participation in the rehabilitation scheme was voluntary. For those who chose to remain in Janata Vasahat, therefore, the municipal corporation was obliged to provide basic facilities. According to the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, it was the responsibility of a municipal corporation to improve a notified slum, if it could be done at a reasonable cost. It was undoubtedly feasible to provide basic facilities at a reasonable cost in Janata Vasahat. A clear proof of this was provided by the government-built public housing blocks on the southern slope of the Parvati Hill constructed about the same elevation as Janata Vasahat where the basic services existed. This also showed that the hill was safe to build upon.
- (3) A park proposed in the Draft Development Plan of Pune (Revised) on the site of Janata Vasahat was not needed on planning grounds as there exist a park and a zoo close by.

While the writ petition was being filed a series of meetings were organised to inform the residents of the provisions in the Slum Areas Act to allay their fears and to reassure them. It was explained to them that as Janata Vasahat was a notified slum, the municipal corporation could not forcibly bulldoze the settlement without a prior clearance notice. And such a notice had not been issued. It was explained to them that the participation in the rehabilitation scheme was voluntary and they were free to choose not to shift. The municipal corporation had perhaps wilfully avoided mentioning this in the information literature in order to misguide the people. Each applicant was, however, required to sign a declaration which stated that he/she was entering in the agreement voluntarily.

It was explained to them that even if they had applied for a loan under the rehabilitation scheme and had paid the down payment partly or fully, they could still withdraw their applications if they did not wish to leave Janata Vasahat. Even if they had enlisted their names as a safeguard against the eventuality of being evicted and rendered homeless, it was important to understand that the municipal corporation was likely to use it against them as evidence of their unequivocal support to the relocation scheme. It was, therefore, in their own interest to exercise the option and withdraw their names if they did not genulnely wish to move. If they have in to the pressure and moved into one of the new houses even though they could not afford it, the failure to pay regularly monthly instalments of loan repayment would eventually push them out on to the street. It was, therefore, preferable in the long run to fight for obtaining basic. facilities in Janata Vasahat.

Members of the newly-formed committee visited individual homes and explained to the families the significance of withdrawing from the scheme. They succeeded in getting only 400 families (out of about 3,450 who had applied) to withdraw. Most of those who were apprehensive about the relocation were still worrled that they might be arbitrarily evicted and therefore needed to have an alternative arrangement to fall back upon. Their lack of trust towards the new leadership was partly the result of the atmosphere created by the municipal corporation suggesting the inevitability of the relocation; the fast tempo of the initial work had left no doubt about the determination of the authorities to shift all the slum dwellers; the distrust was partly because the new leadership lacked credibility. The residents had watched some of the virulent opponents of the rehabilitation scheme, who at one time led the opposition, getting "persuaded' to join the scheme. It was baffling for them to see one of the hunger-strikers (demanding improvement of their settlement) become a quasi-agent of the municipal corporation to propagate the scheme. This made them sceptical about the strength and resolve of the opponents and worried that they might be left high and dry if they did not enlist their names for rehabilitation.

The municipal corporation in its affidavit mentioned, as was expected, that 90 per cent of the families in Janata Vasahat had endorsed the rehabilitation scheme by partly or fully paying the margin money, i e, down payment. (This figure included the 400 who had applied to withdraw the money.) Since there was such an overwhelming support to the scheme, there was no need to improve their settlement.

The counter-affidavit on behalf of Janata Vasahat stated that a very large number of the families had applied for allotment of a tenement out of a feeling of insecurity. At least 30 per cent of the familles, could be said to be clearly opposed to shifting. In addition to the 10 per cent who had not applied at all, there were 10 per cent more who had applied to withdraw from the scheme, and a further 10 per cent had paid in the period of 18 months since the scheme started no more than Rs 100 towards the down payment (which was a minimum of Rs 3,500 for a tenement). Thirty per cent of 3,855 families meant 6,000 to 7,000 people who preferred to remain in Janata Vasahat. The municipal corporation was duty-bound to provide them basic facilities in their settlement.

The judges dismissed the petition stating that a substantial majority of the families in Janata Vasahat had supported the rehabilitation scheme. It was, therefore, not necessary to direct the municipal corporation to carry out slum improvement.

# REPRESENTATIONS TO THE GOVERNMENT AUTHORITIES

As one more attempt to advance their case, the committee made representations to

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the minister in charge of slum improvement and to the top officials of the Maharashtra Housing and Area Development Authority that provided some funds for the rehabilitation project. The letter stated that the latest Draft Development for Pune (Revised) had proposed to retain at their existing locations 290 slums out of 325 in Pune and upgrade them. They were termed in the Draft Plan as zones for housing for the economically weaker sections. Janata Vasahat was not included in this list. It was proposed to be shifted on the grounds that the residents contaminated the city's water supply. In reality, however, the shifting of the settlement did not resolve the question of pollution of the water supply as the water was heavily contaminated by settlements which preceded Janata Vasahat upstream, outside the city limits. It would be fair, therefore, if Janata Vasahat, along with others which were proposed to be shifted for similar reasons, was added to the list of slum settlements in Pune proposed to be upgraded at their existing locations.

The letter further pleaded that since the Draft Development Plan was under consideration prior to giving final approval by the government, it should make the necessary changes before sanctioning it so that it was consistent in its approach of retaining and upgrading on the site itself as many slums as possible.

Even this appeal did not bring any change in the relentless implementation of the relocation scheme.

#### **PROTEST ACTION**

After more than 2 years of legitimate but unsuccessful struggle to seek redress of their grievances, the people of Janata Vasahat became totally frustrated. The officials kept stalling the returning of the down payment to the families who had withdrawn from the scheme. (The money has still not been returned.)

The families participating in the scheme left the settlement in a trickle. Others waited anxiously for the next move by the municipal corporation. One of the officers in charge of the implementation of the scheme is understood to have been visiting the settlement, particularly after the writ petition had been dismissed, ostensibly to ensure that families who were moving out of the settlement were not hampered in any manner.

On February 26, 1986, as he walked in Janata Vasahat, an argument is reported to have developed between him and a small group of women over depositing the down payment. The women told him that they could not afford new housing; he told them to work hard and earn money to pay for it. Indignant over his remark, the women suddealy started to beat him. Word spread quickly and a large crowd gathered at the spot and started to pelt the officer with stones. Alarmed by the angry mood of the people, some of the committee members who were present, tried to restrain the mob, led the officer to the safety of a temple and protected him from getting beaten. The police arrived shortly afterwards, threatened the people with a revolver and dispersed the crowd. The officer drove away under their protection.

The incident was widely reported in the local press. The news item indicated that the attack was unprovoked. This was the official version as it appears that no reporters/journalist even visited the settlement, let alone talked to the residents to get their version. For about a week after this incident the settlement swarmed with policemen. Thirty-one residents were chargesheeted by the police under Section 307 (attempt to murder). Many of them were not even present in the settlement when the officer was mobbed; they were, however, known to be actively opposing the relocation scheme.

The people believe that the authorities have used the existing rivalries between different groups to intensify internal cleavages among the residents so that potential for a united action against the rehabilitation scheme is dissipated. The authorities have "encouraged" certain residents to be group leaders to "assist" the ill-informed and helpless families in taking advantage of the housing option offered by the municipal corporation. Rumours often float that the military is going to be called in to evict the people and bulldozers are going to raze the settlement. This has intensified the feeling of insecurity among the residents who feel that if they do not join a group they might be left with no one to turn to.

The outburst of the people is an expression of the frustration and anger at their lack of leverage to assert themselves. Flouting the authority to which they normally deferred was the only course of action left to them to get themselves heard.

#### A PUBLIC NOTICE

In early January, at the outset of the International Year of Shelter for the Homeless, the nunicipal corporation issued an eviction notice to the residents of Janata Vasahat. It stated that in the period since the implementation of the rehabilitation scheme began in 1984, legal cases had been filed against the municipal corporation in connection with the contamination of the canal water. In this context, in order to complete the first phase of the rehabilitation scheme, it is obligatory on the residents of Janata Vasahat to participate in the rehabilitation scheme. K is their responsibility to complete within one month the necessary formalities for shifting. If, however, they do not shift in this period, the new housing will be allotted to others and without offering alternative accommodation, houses in Janata Vasahat will be demolished.

The notice sent a wave of panic through the settlement. The committee members sought legal advice to find ways to counter the threat posed by the notice. In the beginning of February, just before the end of the notice period, they filed an appeal against the notice with the tribunal set up under the Maharashtra Slum Areas Act. The appeal pointed out:

- I'he notice was not issued in accordance with the procedure faid down in the Maharashtra Slum Areas Act and hence it was illegal.
- (2) The notice was contrary to the declaration made in the affidavit filed by the Pune municipal corporation in the Bombay High Court stating that the participation in the rehabilitation scheme is voluntary.
- (3) In the legal case mentioned in the notice the municipal corporation had argued that the prevention of the canal water was not their responsibility as the canal or the land along side it was not owned by them. The issuance of the clearance notice was, therefore, inconsistent with this argument.

The appeal prayed for a stay to be granted against the clearance of Janata Vasahat. The tribunal has issued a notice to the municipal corporation to state why a stay should not be granted.<sup>6</sup> It has yet to give its verdict on the appeal. The municipal corporation issued a second notice in early February 1987 and extended the period for shifting till March 10, 1987.

In early March a group of intellectuals and social activists in Pune issued a statement condemning the imposition of the rehabilitation scheme and the omission on the part of the municipal corporation to follow legal procedures. It pointed the contradiction in our urban planning in which the poor and those who lead a hand to mouth existence have to live at the edge of the city and those who are better off can live at central locations. It noted that this is an expression of acute social injustice. It appealed to the residents of Pune to live up to their sense of social justice and in this Year of Shelter for the Homeless force the programme makers to rethink the whole policy.

The appeal filed by the residents of Janata Vasahat is still pending with the tribunal. It is uncertain when it will come up for hearing as at present there is no tribunal since its members have not been appointed by the state government. In the mean time the case must be regarded as subjudice. And yet the municipal corporation has issued a "special public notice" dated November 30, 1987 to the residents of Janata Vasahat requiring them to complete all the specified formalitles for shifting and pay the down payment before December 31, 1987. If they fail to do so, their existing houses will be regarded as illegal after December 31, 1987 and action will be taken against them without giving any prior notice. Those residents whose loans are not being sanctioned (presumably because they cannot fulfil the eligibility conditions) are required by this notice to pay the full amount in cash and take the allotted house, plot or concrete base (for building a house) in the rehabilitation area.

#### ASSESSING THE 'LESSONS'

With the knowledge of this background and of the findings of the survey conducted as part of the evaluation, it is now possible to assess the 'lessons'.

The evaluation report endorses the rehabilitation project in principle, is mlldly critical of a few details and makes recommendations to rectify some of the shortcomings and to improve the results. An objective assessment of the facts presented above (both from the evaluation report and from my documentation), however, cannot justify the shifting of the sium dwellers. There is clear evidence to show that removing the settlements located along the canal will not resolve the question of the contamination of the source of Pune's water supply. The new housing is not affordable to a majority of the households sought 10 be shifted. Many of those who have made substantial investment in their existing houses, albeit unauthorised, are not willing to take on a new liability of a loan. There is a legal provision to facilitate slum improvement work. Technically it is feasible to provide at a reasonable expense basic facilities in these settlements. The reduction in the level of pollution of the canal water that would be achieved by shifting the shanty dwellers away can easily be accomplished at a much lower cost both to the public authority and the shanty dwellers by providing sanitary facilities in the existing settlements.7

In the specific case of Janata Vasahai there is a potential for creating hygienic living conditions as the settlement is relatively less congested and a large proportion of the houses are relatively spacious, airy and built from durable materials. A conservative estimate of the total amount of investment (money, time and labour) made by the people in building and improving these houses runs into well over Rs 40 million. The Draft Development Plan of Pune (Revised) proposes to retain and upgrade as many slums as possible at their existing locations. To shift the settlements along the canal is contradictory to this approach as the rationale for relocating them is not valid. Upgrading them in situ will preserve and improve the valuable housing stock. This is vital given the near absence of affordable authorised housing, particularly to the lowincome population in the city. The new, relatively low-cost housing that is being built will be a significant addition to the housing stock so necessary to meet the housing demand of families who are incapable of competing in the formal housing market.

#### RATIONALE FOR THE RELOCATION

It is a serious omission in the evaluation report that it does not examine the official claim that these settlements cannot be improved in situ. The explanation may be true in the case of a small number of shanties which are located on the banks of a natural drain which can flood in the rainy season. Other settlements, however, can be provided basic facilities at their present location. Further, the unquestioned reporting of the official stand on the need to shift the residents to protect the health of the city, in view of the considerable debate on the question in the local press, cannot be a mere

lapse. An in-depth critical evaluation which the report claims to be cannot be regarded as satisfactory if it does not ask basic questions regarding the rationale for the project. In the case of the rehabilitation project in Pune, two fundamental questions that need to be answered as part of an evaluation are:

(1) Does the public purpose that is being served by relocating the sharity dwellers override the basic need of the low-income population of shelter at relatively convenient locations?

(2) Which is the public whose interest is being served by shifting the shanty dwellers?

The evaluation report does not addiess itself to either of the questions. It merely states that after shifting the squatters the residents of Pune will "avail of open space and new amenities in the heart of the city". It does not mention what the proposed amenities are, let alone appraise their need. Have any public amenities been proposed in the City Development Plan? This question is pertinent because the real estate development which has started taking place recently in the midst of the shanties along the major thoroughfare at the foot of the Parvati Hill indicates different trends.

The land occupied by the settlements which are sought to be relocated is very valuable as it is in an area immediately surrounding the central city. The settlements are located along an important road. What was more or less a desolate area when the squatters first set up their shelters, has now become an advantageous location and prime land as the city has sprawled far beyond it and new roads have been built in the area which have increased its accessibility. The shanty settlements occupy almost a contiguous and extensive stretch of land along a major road. The shifting of these settlements is equipping the area for profitable property investment. The clearing of the upper slope of the hill is a way of increasing the salubrity of the area which will push up private property values.

The rehabilitation scheme which is being keenly pursued by the municipal corporation restores the advantages of the sites around the Parvati Hill to "property capital" by driving out the squatters. They are pushed away from the services required for their livelihood and maintenance, to locations "which are marginal to urban growth commanded by property capital according to the laws of capitalist accumulations, i e, according to the economic logic which determines market relations and private ownership of the means of production".9

Clearly, the rehabilitation scheme can hardly be seen as a case of "a local authority functioning for the best interest of all its citizens" or the "law working for the people" as claimed by the evaluation report. It represents a situation where the interests of shanty dwellers are antagonistic to those of property capital and where the local authority is playing a crucial role of creating conditions which serve the interests of property capital while appearing to satisfy the

needs of shanty dwellers. With this shall what is termed in the evaluation report as "a maturing of government as end results were put before bureaucratic rules and procedures" begins to appear as a colluding of political and economic interests and the administration to serve the interests of dominant groups.

The experience of one project involving speedy acquisition of land and 'effective' coordination and management as in the case of the rehabilitation project against the background of tardy and slack implementation of most government projects requires an enquiry into factors which led to the results. Without such an analysis a claim regarding the replicability of the project experience is meaningless. Such an investigation in the case of the rehabilitation project in Pune would have revealed its linkages with the wider processes of Town Planning which takes place in the context of urban land market and real estate development. It would have also indicated the limitations set by them to a sustained process of improvement of the living conditions of the low-income population. The evaluation, however, prefers to take a myopic view of the rehabilitation scheme.

### EXCESSIVE CLAIMS AND INTERNAL INCONSISTENCIES

In the light of its own findings and in view of the underlying processes, the evaluation has a difficult task of justifying the project. To do so, in the face of adverse facts, the report makes some excessive claims without substantiation and contains internal inconsistencies. For instance, the provision of transport to the people by the municipal corporation to carry to the new site salvaged materials from their demolished houses is presented in the report as a reflection of the official recognition of the investment made by the poor in their houses and as a measure to reduce the level of exploitation of the poor. The claim is absurd, and more so because the reason that is advanced by the officials for pulling down the houses is not valid. Also, a true recognition of the high level of investment made by the squatters in their housing would have been to improve the environmental conditions in these settlements by upgrading them. This would also have helped to improve the health status of the residents. Another example relates to the location of the rehousing sites. What is reported earlier as a constraint on account of commuting distances and costs becomes later in the report an "appropriate location (which has) proven to be favourable to the low-income families". The report notes, on the one hand, that "smaller clusters of site at dispersed locations would have been more advisable", and on the other praises the project because it does not disperse the people.

The report states that though the initial plan of the municipal corporation was to shift all the 7 settlements (10,600 households), the officials evolved their thinking through their interaction with the people. "While critics have tried to use these initial

"attitudes to present a picture of a solidified, stubborn bureaucracy, the actual facts show that there is a great deal of change in the official thinking and awareness." This can only mean that the officials are now inclined to permit those who do not wish to participate in the rehabilitation scheme to stay on in their existing settlements. And yet, the report also insists that the residents of Pune will avall of new amenities and open space in place of the slums (which can be possible only if most of the slum dwellers are shifted to the new sites). Also, the report does not mention the 'facts' which are supposed to represent evolved official thinking. Do they really exist? Can it be that the report has created a mirage of the changed attitudes because in the light of its findings the rehabilitation scheme is not tenable? Recent events are contrary to the assertion regarding the change in the official awareness. The clearance notices given to the residents of Janata Vasahat to shift, as the first phase of the rehabilitation project, to the new sites have proved that the bureaucracy is still solidified and stubborn in its view on the relocation. The notices have made a complete mockery of the 'voluntary' nature of the rehabilitation.

#### USE OF COERCIVE TACTICS

The evaluation report is at pains to repeatedly state that contrary to published incorrect reports, no police power or coercion is used in order to force anyone to shift. While the report does not mention who made these allegations and where, it chooses to be silent on the tactics of subtle coercion and pressure employed by the officials. Can it be that the report mentions the exaggerated allegation of the use of police force, in order to divert attention from the subtle and coercive tactics that are used by the municipal corporation to "induce" the settlement dwellers to shift? In any case, the pressure on the residents of Janata Vasahat is no more subtle. The International Year of Shelter for the Homeless has begun for these families with a notice of summary eviction.

#### **DEPENDENCY ON PATRONS**

The report is concerned that slum dwellers, because of their illegal occupation of land, are dependent for "protection" on paternalistic politicians and on charity of social workers. It claims that the rehabilitation scheme has rescued the slum dwellers from the control of "criminal elements". This is an excessive claim, for the poor are vulnerable on account of the precariousness of their daily lives and their illegal shelter is only one aspect of this precariousness. They are deeply aware of their lack of leverage to influence decisions to be made in their favour and of their strategically weak position to benefit from defiance. This puts them in a situation of dependency vis-a-vis leaders or siumlords or "criminal elements" as the report calls them. Whether it is for obtaining a ration card, admitting a sick relation into nospital, obtaining a loan under a welfare programme or dealing with police harassment, they need the assistance of leaders to mediate for them. In times of crises leaders may be of help. Leaders capitalise on and perpetuate the vulnerability of the poor and ln today's politics of patronage dispensing, often act as brokers of political patronage. The precariousness of the lives of the poor, even if they participate in the rehabilitation scheme, is not likely to diminish as a consequence and in order to meet their pressing needs their dependence on the patronage of leaders is not likely to end. Shifting to the new housing cannot provide an escape from their situation of dependency. In fact, the municipal corporation has made use of lcaders and dependency patterns to propagate the project. "Group leaders" mediate with the officials on behalf of the slum dwellers. (The evaluation report calls this the emergence of "self-organised and indigenous leadership".) It must be understood that this can only reinforce, and not break as the report suggests, the relationship of dependency on the part of the poor,

#### VIGILANCE AGAINST SIDETRACKING OF 'PROGRESSIVE PROJECTS'

While the report does not find objectionable the use by the municipal corporation of paternalistic leadership, it strongly suggests keeping strict vigilance "over the key points where sidetracking of such projects takes place" by vested interests such as landlords and politicians who prey on the disadvantaged position of the poor. Social workers who "promise charity" to the poor have also come under attack in the report for being "a formative adversary to progressive action such as the Bibwewadi project". What the report has denigrated as charity has involved in this case giving legal assistance to the people in their struggle for asserting/establishing their rights and efforts to mobilise them. The report finds it inconvenient to mention these efforts because they raise fundamental questions regarding inherent limitations of the existing framework of urban development to create healthy living conditions for all. Although the report brands social workers as potential hindrance to the implementation of "progressive projects", the need for vigilance over what goes on in the name of public interest is eminently clear. It must serve as a sombre reminder that it required a legal suit 10 filed by an individual concerned with social justice to have struck down for being contrary to public interest an extensive housing scheme accepted by the government of Maharashtra and proposed by builders and landowners on surplus land in Bombay under the Urban Land (Ceiling and Regulation) Act. What the report has recommended in the name of "vigilance over key points" is the stifling of opposition to projects which ultimately serve the interests of dominant groups.

This, however, ties in with the 'guiding philosophy' that is stated in the report. It appears to be cast in favour of the poor but is deceptive. The report states: "We see housing as a process wherein people resolve their

own shelter, status, security and accessibility needs within their own means. This is traditionally done through "self-help and management" or through their community organisation. We see the government's role as one of a facilitator and a supporter of what people decide is best for them." In view of this rhetoric, it is curious that the evaluation report does not take a stand against the project that the slum dwellers have protested against and that is shown to be untenable by the findings of its own survey. It is also curious that the report does not notice and find worth supporting self-help efforts and community organisation of the residents of Janata Vasahat that is the focus of rehabilitation in the first phase of the project.

The residents of Janata Vasahat have not only built and improved their own houses. the community has built a primary school which is run by the municipal corporation, it has worked out a rudimentary system of sanitation and maintains a reasonable level of hygiene in the settlement and it runs Balwadis and government sponsored adult literacy classes. In the past, the residents have tried to get their settlement notified as a slum and more recently have been fighting against the imposition of the relocation scheme and to advance the case for slum improvement. It appears that the evaluation does not recognise these efforts because the squatters are demanding a greater share of the city's resources (mainly land situated at a central location). By avoiding to raise the question of creating improved living conditions in the existing settlement, the report has in effect endorsed the expulsion of the low-income population to the fringes of the city as a consequence of the operation of the urban land market. There is a merit in selfhelp efforts and in people's organisation and management to effect improved living conditions, but according to the "guiding philosophy" stated in the report, it appears to be a strategy only for holding the poor responsible for their own affairs while conccding to them as little as possible of the city's resources. It is important to recognise that without community mobilisation, selfhelp efforts can achieve only palliation.

#### ACCESS TO LAND AND BASIC SERVICES

A school of thought which advocates supporting self-help efforts has been persuasive for nearly two decades. The potential of selfhelp was first put forward by John Turner after his experience of work among squatters in Peru. On the basis of isolated cases of supposed "success" of communities organising themselves to manage shelter building and environment, a whole approach has been postulated. It must be understood, however, that there are several factors external to individual settlements which facilitate or arrest the "success" of self-help efforts. The case of Janata Vasahat is perhaps not a success story from the point of view of advocates of the self-help school, but it clearly illustrates the forces which operate to inhibit united action by the people. A study of isolated cases of "success" suffers from a major limitation since it is not placed in the wider context of processes of urban development (Town Planning) and the land market in which the deprivation of the poor is rooted. The absence of such a perspective distracts attention from the underlying real questions.

Town Planning determines the distribution of a city's resources (land, water, revenue) among different groups of residents. Since it takes place in the context of urban land market and real estate development, what it achieves is to create infrastructural advantages (roads, open spaces, transport facilities, etc) so that the private building sector can reap benefits. The lowincome population, because it cannot compete in the land and housing market is forced to put up unauthorised shelter on land that is by and large unsuitable or unattractive for real estate development (land subject to flooding, marshy land, steep slopes of hills, government land, land reserved in the City Development Plan for public purposes but remains vacant for many years owing to the paucity of funds for acquiring it). In the name of creating an orderly, hygienic and aesthetically pleasing environment, Town Planning, in fact, denies the poor access to even minimum authorised shelter and basic services. As a palliative what is offered to them is slum improvement. 11 Not only is it unsatisfactory, it has severe limitations for improving the living conditions of the lowincome population. Further, the ownership of the land under notified and improved slums is retained with the original owners. This leaves option open to expel the slum dwellers after fulfilling certain conditions and restore the advantages of the sites to property capital. It is important to recognise that the present processes of urban development concede very little by way of urban land and services to the population that cannot compete in the land and housing market. An intervention made by the government in the form of the Urban Land (Ceiling and Regulation) Act "to bring about equitable distribution of land in urban agglomerations to subserve the common good" has proved to totally ineffective in acquiring land and in preventing speculation and profiteering.12

The 'Bibwewadi Approach' that the evaluation report discusses is not a new approach as the report claims. Its logic is based on market forces. The optimism expressed in the report, therefore, about "going to scale" in providing all urbathoor with secure existence and tenure in the tienic environment" if the "Bibwewadi Approach" is followed, can only be misplaced. In discussing the "Bibwewadi Approach", the evaluation report almost disregards the fact that slum clearance is an integral part of the rehabilitation project. It endorses the project as a "new formula" which "throws light on the possible elements of a new, appropriate urban development management system". And yet it states at the beginning:

"We view slum demolition and resettlement as mere reactions to symptoms by professionals. They are not a solution to the problem nor do they respond to basic structural imbalances". This declaration, however, does not carry much conviction because the evaluation does not take a stand against the project which is doing exactly what is being censured. Is the declaration a mere cosmetic?

#### **PURPOSE OF EVALUATION**

The evaluation was carried out half way through the project. What is the purpose of this report? There is no evidence to show that the project has been modified as a result of the evaluation. On the contrary, even though the evidence shows that the project is not sustainable, the local authority has hardened its stand on the clearing of the slums. The "lessons" derived from the project for future policy do not flow from the findings of the survey and the case studies. Is the report supposed to be a commendation for the project to help its formulators win accolades in the International Year of Shelter for the Homeless? For, the report is not an in-depth critical evaluation that it claims to be. In the name of an evaluation, it has systematically attempted to provide a justification for a project that is anti-people. It has done so by making its brief narrow, by avoiding inconvenient questions and by selective use of the information.

It must be recognised that evaluations such as this provide an underpinning for projects which ultimately serve the interests of dominant groups. In providing such an underpinning, the evaluation report has shown absence of concern for the real issues involved and the problems which afflict the low-income population. Reports such as this are an adversary of the poor.

#### Notes

- 1 Centre for Development Studies and Activities (CDSA), Pune, "India: Bibwewadi Low-income Shelter Project, Pune: A Case Study", Sponsored by Maharashtra Housing and Area Development Authority, Bombay, India. I worked on preparing a proposal for the evaluation before leaving CDSA. Pune has a population of nearly 1.4 million a third of which estimated to be living in shanty and squatter settlements.
- 2 The Peshwas were the (Brahmin) Prime Ministers to Maratha rulers. This became a hereditary title and lasted as such for six eventful generations. After mid-18th century, power came to be concentrated in the hands of the Peshwas and Pune became the capital of a large Maratha dominion.
- 3 Bapat, Meera: 'Karja—Swasta ki Mahag' ('Loan—Cheap or Expensive'), Sunday Sakal (Marathi), March 18, 1984.
- 4 Writ Petition No 2976 filed on July 25, 1985 Deepak Gavade and ors vs Pune Municipal Corporation and ors.
- 5 Godbole, S H: 'Bund Nalatoon Pani Puravine Hach Punekaranpudhe Paryay'

- ('The Only Alternative before Pune Residents Is Water Supply in Pipes'), Daily Sakal (Marathl), March 27, 1984. The author who is director, Maharashtra Association for the Cultivation of Science, had also discussed the question of pollution of Pune's water supply at a Seminar organised by the Lions Club in early 1984.
- 6 Order passed by Tribunal on February 4, 1987 in Misc Appln No 12 of 87 filed by Zopadapatti Vikas Kruti Samiti, Parvati, Pune.
- 7 A critic of the rehabilitation project had suggested in an article published in a local newspaper an alternative scheme involving a dual approach of slum upgradation and rehousing so that the existing settlements, where necessary, could be decongested while providing relatively better-off families an option to move into affordable housing. The alternative was feasible in the existing framework of town planning legislation and practices. Bapat, Meera: 'Punyache Pani va Parvatichya Zopadya' ('Pune's Water Supply and Shanties on the Parvati Hill') Sunday Sakal (Marathi), October 30, 1983.
- 8 Lamarche, Francois: 'Property Development and the Economic Foundations of the Urban Question' in "Urban Sociology: Critical Essays", C G Pickvance (ed), Tavistock Publications, London, 1975. Lamarche explains the gradual process of expulsion undergone by urban workers by referring to the foundation of property capitalism. The time and labour devolved by capital as a whole to its circulation are unproductive. One way in which capital reduces these unproductive costs is by dividing the different tasks necessary for its reproduction among specialised capitals. Thus, in addition to industrial capital there is commercial capital and financial capital. However, the costs of circulation also depend on the distance separating the different economic agents and the spatial arrangement of their activities. The important function of spatially organising commercial, financial and administrative activities in order to increase their efficiency and thereby facilitate a reduction in the indirect costs of capitalist production is done by property capital. From the point of view of property capital the field of housing appears as an allied field of investment in that its profitability depends to a large extent on its integration with shopping area and office development. The main effect of this type of housing is selection of clientele that is "able to pay".
  - lbid.
- 10 Writ Petition No 2386 of 1983 in the High Court of Judicature at Bombay. Colin Gonsalves vs State of Maharashtra and Others.
- 11 Bapat, Meera: 'Inherent Limitations of the Scheme for Improvement of Slums In India', a paper presented at the International Symposium on Strategies for Slum- and Squatter-Upgradation in the Developing World, Berlin, 27-30 November 1986. Forthcoming in *Trialog*.
- 12 National Commission on Urbanisation: First Interim Report, Ministry of Urbani Development, New Delhi, 1987.

# On Estimating and Explaining Rural Poverty

Sudhanshu Ranade

#### I Introduction

N KRISHNAJI's recent paper [EPW, June 27, 1987] voices scepticism about the supposed empirical evidence [Mellor and Desai (ed) 1986] on the economic determinants of rural poverty. Actually, such scepticism was expressed even by some of the papers in that book, though not then taken seriously by its editors. Perhaps this was because the dissenters did not rigorously develop their critical arguments, a lacuna Krishnaji has now contributed to filling. Unfortunately, in doing so, he has attempted to reinvent the wheel; always a laborious exercise, and usually imperfectly successful.

This paper therefore instead looks specifically at the Metlor-Desai formulation, to find that what was intended. Interpreted as an economic explanation for the varying incidence of rural poverty was in fact an inadvertent, and consequently imperfect, attempt at algebraic decomposition. In this connection, we will have occasion to remark at the fact that Ahluwalia [1977], in generating his well-known series for the head count ratio in rural India, implicitly assumed that the consumer price index for agricultural labourers was the price index appropriate for deflating the entire range of nominal consumption expenditures. The paper also offers some brief, and entirely unoriginal, comments on whether prices can at all have a place in economic explanations of computed poverty.

In this introductory section, we will reproduce the 'Mellor-Desai' regression [Mellor and Desai (ed) 1986], present the data on which it was based and outline the interpretations sought to be based on it. Section II argues that the regression in fact inadvertently amounted to an algebraic decomposition of the computed estimates of poverty. While the 'time' variable was only picking up the 'effects' of a neglected price variable, the other two variables in the regression were capturing the 'effects' of 'variations' in the (nominal) poverty line, and those in the 'real mean' of the distribution over time. We will, Incidentally, comment on the problems arising from the neglect of inter-fractile differentials in rates of Inflation in Ahluwalia's estimates for the incidence of poverty [Ahluwalia 1977]: variations which the 'Mellor-Desai' regression sought to explain. In Section III we identify the circumstances in which distributional changes can be neglected from a decompositional exercise without vitiating the 'goodness of fit'. In Section II we will be demonstrating inter alia that the 'price' variable in the 'Mellor-Desai' regression was in fact merely isolating an algebraic 'effect': that of 'variations' in the (nominal) poverty line, which it was used to update. As against this, in Section IV we make the argument that, though there are no conceptual problems in using prices to explain poverty, the variable as specified probably could not have had a place in an economic explanation. Our comments in this section are entirely unoriginal, but may yet have their uses in dispelling some confusion which seems to have survived earlier explanations. Section V concludes with some suggestions on (i) why the log specification of the 'Mellor-Desai' regression worked better than the untransformed one and (ii) why it was apparently possible to separate individual effects with such precision, despite the fact that it should have been difficult to do so: because of the small sample size and, more particularly, because of the difficulties of separating out the effects of influences which (in the data) occur together.

The basic<sup>1</sup> evidence offered in Mellor and Desai (ed) 1986 [p 3] was the regression: In H : 4.591 · 0.631 In pey - 0.174 In time + (-3.593) (-7.352)

0.582 in cpial (8.537)

 $R^2 = 0.94$  n = 12 't' values in brackets. The data on which the regression was estimated is given in the table.<sup>2</sup>

It was at that time noted with satisfaction, and some surprise, that variations in the three explanatory variables explained between them 94 per cent of the variation in the head count ratio over the period. Another source of satisfaction was that the regression permitted the quantification of the separate effects of each of the three explanatory variables with some precision: absolute 't' values in excess of about 2.2 would suffice for this. Once again, there was, however, occasion for surprise at the rather extreme precision: 't' values of 7.3 and 8.5 arc hardly usual, particularly when dealing with such a small sample and, additionally, collinear variables.

So much for the 'good fit'. As for the (correspondingly emphatic) interpretations offered, the main one was that the 'price' coefficient was probably telling us that high prices, operating through distributional changes, could be expected to lead to an enlarged incidence of poverty. It was thus 'capturing some important aspects of a complex reality in a simple and elegant way'. That increases in agricultural output per capita should cause decreases in poverty was, of course, hardly surprising, and did not attract much comment; comments in this respect were largely confined to noting not for the first time, that, unfortunately, notwithstanding the green revolution, there had not been major increases in agricultural output per capita. Finally, the 'time' coefficient: while it was cheering that, apparently, other things constant (in particular after allowing for increases in per capita agricultural output, anyway not substantial), the proportion of the poor was declining over time, was this evidence (or, at any rate, were the suggested explanations) plausible? The book was, however, content to leave this particular question (time) up in the air: probably because, as a residual unexamined effect, it could later be taken up for separate examination.

#### H

# Mellor-Desai Regression: What Does It Tell Us?

Given the relevant data, a series for the incidence of real poverty over time is easily computed. The data elements required relate to:

- (i) the poverty line (with some sort of claim to legitimacy and, in this case, expressed in terms of average consumption expenditure per capita within households in a given base year);
- (ii) the nominal distributions (of these expenditures) at various points of time; and
- (iii) the rates of inflation operative at various times at various points on these nominal distributions (one set of these points would, of course, be relevant to the nominal demarcation of the poverty line in various years).

Meanwhile, having once computed this (any) series, it is often useful, in preliminary exercises, to algebraically decompose it into its 'constituent elements'. This could, of course, be done through a variety of different specifications: one could, so to speak, 'slice up' any universe in all kinds of imaginative ways. We shall revert to this issue later, but let us first look at how, in the first place, Ahluwalia [1977] actually generated his series for the head count ratio in rural India: variations which the Mellor-Desai [1986] regression sought to explain.

Ahluwalia took the poverty line for rural India to be Rs 15 per capita per 30 days, expressed in average rural prices prevailing over 1960-61<sup>3</sup> and, for updating it, used the consumer price index for agricultural labourers (cpial).<sup>4</sup> His computations were based on National Sample Survey data on the distributions of nominal consumption expenditure over the period. These distributions he captured by using the Kakwani-Podder specification of the Lorenz [Kakwani 1980].

Note that only one price index entered Ahluwalia's computations; the logic being that, with its use we would arrive at the relevant poverty line in nominal terms, which could then be used to read off the incidence of real poverty from the nominal distribution. If there were no differences in interfractile rates of inflation, their neglect would naturally not matter. However, if, as Ahluwalia believed [Ahluwalla 1977, p 7], these were important, their neglect could cause correspondingly serious problems to his procedure, despite its intuitive appeal.

These problems would arise on account of the fact that the neglect of differentials in inter-fractile rates of inflation amounts to implicitly assuming that:

- (i) all fractiles face one and the same rate
  of inflation (in Ahluwalia's case, the
  one represented by the consumer price
  index for agricultural labourers);
- (ii) the distributions of real expenditure would by assumption have the same shapes as the nominal distributions;
- (iii) the nominal component of the mean of the nominal distribution would by assumption be moving apace with the periodic adjustments made in the nominal poverty line.

All this is implicit in the fact that Ahluwalia slmply read off his head count ratios from the unadjusted nominal distributions after mapping on to them poverty lines periodically updated by the consumer price index for agricultural labourers. Needless to say, problems arising on this count would be shared by other procedures which do something similar.

Though, given his beliefs, Ahluwalia was not justified in neglecting differentials in inter-fractile rates of inflation, it seems now that these may not have been terribly large [Bhattacharya et al, 1985, Minhas et al, 1987], notwithstanding conventional wisdom to the contrary [Srinivasan and Bardhan (ed) 1974]. Even so, to the extent that they are not non-existent, the question remains whether the consumer price index for agricultural labourers can appropriately, or at least without much violence, be used to deflate the entire range of nominal expenditures, as it implicitly does in Ahluwalia's formulations.5 We shall not, however, pursue this theme further since the accuracy of Ahluwalia's poverty estimates is not basic to the concerns/of this paper. We are only interested in seeing how, right or wrong, they decompose.

Now, given an unchanging real poverty line (in this case Rs 15 in 1960-61 prices), one of the ways in which the computed head count ratio can be entirely, and (for purposes of preliminary investigation) meaningfully, decomposed is into (i) real variations in the shape of the distribution; and (ii) real variations in its mean (i e, variations in the real 'location' of the distribution). Naturally, to get at the real magnitudes involved, one would need information on, and carefully avoid confounding with, nominal trends in (i e, the price indices relevant to) (i) the mean (ii) the poverty line; and (iii) various other fractiles of the distribution.

As regards Ahluwalia's head count ratios, given the shape of nominal distributions (we shall relegate the consideration of changes on this account to the next section of this paper), they would be a(n inverse) function of, and only of, the distance between the nominally-expressed poverty line and the nominal mean of the reported distribution. Variations in the price index used, the cpial, would not affect this distance: the nominal component of the mean would by assumption have been moving apace with the adjustments periodically made in the nominal poverty line. Therefore, variations in the computed head count ratio could be traced entirely to variations in the 'real mean'. Note that (i) we have controlled for changes in the (shape of) nominal distributions (ii) the 'real means' we are referring to arc those that would turn up in a series of reported nominal means deflated by the consumer price index for agricultural labourers.

Of course, the universe in question could, as we have noted, be otherwise sliced. For example, we could also obtain (save for distributional changes) tentire explanations by considering any other arbitrary series for the 'real mean' (and the fact that in Ahluwalia's case it comes about by default certainly does not make it any the less ar-

bitrary), and the implied 'average' price index (i e, the price index which would be consistent with this arbitrary series in the light of the given data on the nominal means).

The price index consistent with an assumption that real mean per capita expenditures moved apace with the agricultural output per head of the rural population would be given by

u<sub>l</sub>/u<sub>O</sub>

where u is the nominal mean (available in the respective NSS reports) and pcy the real variable it is presumed to move apace with. That is to say, the price index for any one year would be given, as always, by the ratio of the nominal and real magnitudes for that year (all expressed to the same base).

What would happen if we attempted our decomposition exercise with this 'real mean' series and, therefore, this 'average' price index, while continuing to hold explicitly that the price index relevant for the demarcation of the poverty line was the cpial? Well, variations of the head count ratio would of course continue to be a(n inverse) function of the real mean (and a function of distributional changes: which, however, we shall for the present continue to neglect). But they would now become definitionally a positive function of the cpial and a negative function of this 'average' price index: because of the (inverse) dependence of the head count ratio on the distance between the nominal poverty line and the nominal mean.

In particular, we could regress Ahluwalia's head count ratios on pcy, p and the cpial (see the Table in Section I), and expect to get (i) a good fit and (ii) a positive coefficient on cpial and negative ones for the other two variables. Confirming these expectations, we

In H=12.8-1.71 In pcy-1.43 In p+1.37 In cpial (-7.41) (-6.55) (7.31)

 $R^2=0.93$  n=12 (Data as in the table in Section I).

Similar results would, of course, be obtained if we were to replace p with any variable with which it was closely correlated. Thus, replacing it by time, as in the Mellor-Desai regression would yet leave us a good fit. But the coefficient on time would in fact be telling us about the 'effects' of p. It is no testimony on time.

We should note here that the Mellor-Desai formulation was not derived on the basis of an assumption that real mean expenditures moved apace with agricultural output. All that this section was intended to demonstrate was that the variables which that regression chose to include (in its attempt at an economic explanation) would tend to simulate a particular algebraic decomposition. In the concluding section, we shall offer some brief remarks on the better fit resultant from the log (rather than untransformed) specification. Meanwhile, let us turn to a consideration of the hitherto neglected distributional changes.

TABLE: DATA ON WHICH THE MELLOR-DESAL REGRESSION IS BASED

	Н	pcy	time	cpial	р	
1956-57	54.1	178.84	1	97.2	80.93	
1957-58	50.2	165.97	2	100.9	94.61	
1959-60	44.4	174.42	4	101.7	97.48	
1960-61	38.9	181.32	5	100.0	100.0	
1961-62	39.4	178.94	6	103.0	102.55	
1963-64	44.5	17t.67	8	118.0	110.03	
1964-65	46.8	183.96	9	142.0	t21.40	
1965-66	53.9	153.51	10	155.0	156.22	
1966-67	56.6	t48.10	11	t90.0	176.17	
1967-68	56.5	168.85	12	206.0	167.08	
1968-69	5t.0	166.51	13	185.0	168.81	
1970-71	47.5	185.11	15	192.0	161.09	

Notes: (i) H: the head count ratio forward India, the proportion of the population below the poverty lime.

(ii) pcy: the net domestic product in agriculture per head of rural population in 1960-61 rupees.

(iii)cpial; the All-India consumer price index for agricultural labourers, 1956-57 weights, 1960-61 = t00.

(iv) p: the price index which would be implicit for average consumer expenditure per capita if it were assumed that average real consumer expenditure per capita moved apace with pcy. It does not figure in the regression, but is relevant for Section II of this paper:

(v) there is a sizeable arithmetical error in Ahluwalia's estimate for the head count ratio for 1965-66, which should actually read 48.8, not 33.9, even without any change in the data or procedure for computation.

Source: Ahluwalia [1977]. Tahles 1(a), 2 and 7

# III Distributional Changes

While, for Ahluwalia, variations in the real distribution overtime were faithfully

represented by those in the nominal distribution, the Melior-Desai regression did not, as we have noted, take even the latter directly into consideration. Indeed, given its purposes, there was no reason for it to have attempted to do so; it was not intended as a preliminary exercise at algebraic decomposition.

However, in the latter kind of exercise, which the regression lnadvertently lapsed into, distributional changes may no longer be as conveniently ignored: their neglect cannot generally be expected to leave us with such a good fit. But, if it did, this could be happening because:

(i) distributions of nominal consumer expenditure did not change much; or

(ii) the changes in it did not importantly affect the head count ratio; or

(iii) the effects of distributional changes were highly collinear with those of one or more of the included variables.

On the basis of an exercise conducted by us, we have been able to establish that distributional changes were in fact important for an algebraic decomposition of computed variations in poverty over the period. That the regression so well survived their neglect was entirely due to (iii) above. Of course, this was precisely the kind of thing in the minds of those suggesting that prices as an explanatory variable were "capturing some important aspects of a complex reality in a simple and elegant way". In the next section we will comment on whether prices were, in the form specified, capable of capturing 'complex reality'. Meanwhile, lct us note that:

- (i) the omitted distributional 'effect' was one of changes in the nominal distributions (though these could, of course, under certain circumstances mirror the real changes);
- (ii) these effects were in fact probably being captured by the time and 'real mean' variables in the regression, not the cpial: the omitted 'effect' was one of trend-like improvements, subject to some 'real mean' effects;
- (iii) anyway, all that was happening was that the effects of the excluded variable were getting fortuitously picked up by the (consequently 'biased') coefficients on the included variables with which they happened to be correlated. It is simple, but there is nothing very elegant about it.

#### IV

#### Can Prices Explain Poverty?

There has been much uneasiness about including prices in an explanation of the incidence of poverty. There seem to be at least two currents of such unease: one, the problem of sorting out economic content from algebraic noise; the second about using nominal phenomena to explain real events.

The first set of qualms is about using a price index to explain poverty after it (or another closely related to it) has first been used to compute it. Sen [1986] went to heart of this issue with his "distinction between the recovery problem and the command pro-

blem". He concluded that there was prima facie no problem about using a price index to explain poverty (merely because It had earlier been used for computing It) provided that "the recovery operation Is being correctly performed" i e, provided that the computed poverty estimates are in fact correct.

The second set of qualms is grounded in the implausibility of nominal values having an important influence on real phenomena. To this too there is an answer [see for example the papers by Sen and Srinivasan in Mellor and Desai (ed) 1986]: lags, lags between, for example, prices and wages.

Consider first the question of nominal values influencing real phenomena. Let us say that nominal per capita expenditures were observed to have remained constant while consumer prices rose. While this would of course mean an increased incidence of real poverty, due to the deterioration in real expenditures, no one would have any problems with this. If it were the case that such deterioration came about because, say, the prices of agricultural produce had not been increasing as fast as the consumer price index, this would again cause no unease; real phenomena, reflected in the terms of trade, may well influence the incidence of real poverty.

Suppose now that it were also the case that rises in the consumer price index evoked lagged rises in the prices of agricultural produce. In this case, rises in the (nominal) consumer price index would in fact be exerting an important influence on (real) poverty. This does not undermine a position that nominal values are unlikely to have an important influence on real phenomena: the apparent relationship between the nominal quantity (prices) and the real one (poverty) is in fact a relationship between real poverty and the reality of the lagged compensation which occurs in conjunction with such nominal price increases. One could similarly, and more plausibly, expect an economically meaningful relationship between the consumer price index and real poverty if it were the case that, say, money wages adjusted to increases in it only with a lag.

There is, however, a serious question about whether hypotheses about lagged compensation could be expected to find confirmation in a regression of poverty on price levels [see for example the papers by Bliss and Ahluwalia in Mellor and Desai (ed) 1986]. Surely it would be more reasonable to observe the relationship between poverty and the rate of (relative) inflation, in fact the rate of unanticipated (relative) inflation, in an effort to sustain such hypotheses. Otherwise one would be coming uncomfortably close to the position that nominal quantities do matter. And this position is not one that can be presumed. It would need to be carefully substantiated.

We will not, however, pursue this line further. It is no part of the concern of this paper to propound or investigate hypotheses about the economic effects of prices on the incidence of poverty; our concern is limited to clarifying the discussion about the possibility of a non-spurious relationship between the two.

Consider next the doubts about whether a price index can be used to explain poverty

after it has first been used to compute it. Let us assume that the price Index used in the computations Is in fact the one relevant to determining the real positions of those prone to poverty (and an otherwise error-free world). Consequently its use to adjust the poverty line (but not necessarily, as we have noted, all nominal expenditures) in arriving at poverty estimates would be justified; it would permit us to compute the 'true' poverty estimates.

Let us say that we now regress the socomputed poverty estimates on some explanatory variables, including this price index, and find a positive coefficient on the tatter. Need there be difficulty in accepting it on the grounds that by formulation this price index must be positively related to the head count ratio? As a matter of fact, the answer is no. Had other things been held constant, the answer would have been yes. But, and this is the nub, other things are not typically held constant. In particular, data on the distributions of consumer expenditure are taken from the real world; they are by no means implicit in the formulation.

There would, of course, be problems if there were errors in the price index used which, through its use in computing poverty estimates, must inevitably be correlated with errors in the latter. But in this case, "the poverty estimate itself is wrong, and we need not care whether the fit is good or not...What is ruled out is the possibility that the poverty estimation is correct while...(the) model is producing a spurious fit because of the use of (one and the same) price index on both sides of the equation. The fact that the same index appears on both sides of the equation is in itself neither here nor there" [Sen 1986].

Of course, given the problems about interpreting the coefficient on the price level as reflecting the fact of lagged compensation, the exploration of alternate explanations for the coefficient seems to have been indicated. And, of course, the most ready possibility was that there were in fact errors in the price index, errors which by formulation found their way into the poverty estimates, and led to a spurious correlation between the two. Though Sen and Mellor, whose long-held positions the 'evidence' happened to support. did not actively investigate this possibility, Ahluwalia was particularly alive to it [see their papers in Mellor and Desai (ed) 1986]; and rather insistent about the re-specification of the price variable, for economic reasons (of the sort mentioned above), and in an attempt to rule out the possibility of correlated errors in variables. Implicit in his worry was, of course, an admission of the possibility of errors in the poverty estimates themselves. He however took the position that errors in the poverty estimates (which he implicitly assumed were approximately unbiased) were not very worrisome in themselves. Serious problems arose only in respect of an explanatory variable with errors that were correlated with the errors in the poverty estimates.

Meanwhile, in the light of what we have said in Section II, we now know that whether or not there were such errors, one need not invoke them in accounting for the coefficient. One could explain it simply in terms of the logic of decomposing any universe into consistent, if otherwise entirely arbitrary, sets of 'A' and 'not-A', and finding that the two, between themselves, completely accounted for the universe. That they did so would not in itself be very exciting. The important question is whether the categories segregated were capable of yielding valuable insights. The Mellor-Desai regression is hardly to be faulted for failing in this: what it attempted, it had not achieved; and what it achieved, it had not attempted and consequently achieved only with error.

#### V

#### **Concluding Remarks**

- (i) The Mellor-Desai regression was found to 'work' better (i e, give a 'better fit') after transforming the variables into their log forms. The reason for this was not really gone into, though Desai in his introductory paper to that book suggests that this may have had something to do with systematic variations in the intensity of effects operative over the period. For example, 'pure' time effects may have been most pronounced in the late 1950s, due to 'land reform'. As a matter of fact, given the decompositional nature of the regression, the explanation probably lies rather in the fact of the logarithmic distribution of consumer expenditures: changes in the position of the poverty line (relative to the mean) inevitably lead to dis-proportionate changes in the relevant 'area under the curve', i e, in the head count ratio.
- (ii) As every text-book tells us, multicollinearity should cause insignificant individual regression coefficients even if the overall regression is highly significant. And yet we have seen that not only did this not happen in the Mellor-Desai regression, but instead the coefficients were extraordinarily significant, despite, additionally, a very small sample size. The solution to the riddle is not very exciting, but may yet have possibilities for more general diagnostic usage. It is simply that when the collinear variables impact on the dependent variable in opposite directions (as do cpial and p on H... see Section II ... and, therefore, cpial and time in the Mellor-Desai regression), they reduce the variance of the dependent variable, and this dramatically restricts the explosion of the standard error which would otherwise have occurred.10

#### Notes

- Other regressions in the book suded those using a wholesale price index in lieu of the cpial on the RHS, those expressed in untransformed variables, those working with first differences, those working with relative prices, etc. It is, however, fair to state that the regression reported in this paper as the 'Mellor-Desai' regression was the centrepiece of the book. Besides, its examination anyway yields quite general insights.
- 2 Should anyone care to verify either Ahluwalia's computation or mine, I should mention that the distributional parameters [of the Lorenz curve: Kakwani 1980, p 130] estl-

- mated by me for that year, on the basis of NSS. Report 209, were: a=0.2656807;  $\alpha=0.86381$ ;  $\beta=0.75688$ ;  $R^2=0.999$ . Ahluwalia's estimates for the other years are, given his procedure, arithmetically correct. Unfortunately his procedure is itself somewhat problematic, for reasons we will address in Section 11 of this paper. Additionally, there may also be a problem (possibly not very serious) because Ahluwalia neglected the possibility of effecting an improved precision by using available data on the limits of the consumption expenditure class intervals [Kakwani 1980, p 143].
- 3 Ahluwalia (1977) was quite right in stating that, for that period, "this line has an established pedigree in the Indian literature" (p 7). It is therefore sobering to note that D Bandyopadhyay (then adviser, Planning Commission, and until recently secretary, Rural Development to the Government of India) quotes in Islam (ed) (1985) "a distinguished working group...(of)...1962...(as having)...recommended...after considerable discussion...that 'the national minimum... should be not less than...Rs 20 per capita... in terms of 1960-61 prices. For urban areas, this figure will have to be raised to Rs 25 per capita to cover the higher prices" (p 100). Obviously the pedigreed literature settled for much less than it need have done. Incidentally, the quote also appears in the very first chapter of the 'definitive' Srinivasan and Bardhan (ed) 1974, in a note by the Perspective Planning Division of the Planning Commission, on page 13. In his paper later in the book Bardhan says only that the group was "reported to have recommended" Rs 20 per capita, and therefore suggests lowering this to Rs 15 per capita for rural areas, in view of the lower prices there. This he noted approvingly (p 264), was the line used in early work by him, and by Dandekar and Rath, in 1970. To my mind, nothing was ever made of the discrepancy, nor was it even importantly recognised. And yet one does not have 10 search very hard to find eloquent protest at the 'unrealistically low' poverty
- 4 Ahluwalia chose the cpial as being, of those available, "the most appropriate index for our purpose" (1977, p 8), because it most closely defined the erosion of the purchasing power of the lower deciles. As a matter of fact, given that the price index was to be used to define the poverty line (the cut-off point), the relevant one would be the index for the marginal classes prone to poverty: and these were the middle deciles of the rural population. It is the varying inclusion or exclusion of the two middle deciles that is in fact responsible for variations in the head count ratio over the period: a point tellingly made by Minhas et al 1987, who, accordingly, tried to evolve a price index relevant for these middle deciles, rather than for those lower down. We may note, that while they, like Ahluwalia, explicitly used only one price index, another one would be implicit in procedures for independently arriving at (or adjusting) the real mean.
- 5 While there is nothing in the form itself that would automatically alert us to a rebellious reality, it is, of course, possible to derive implications which can be scrutinised for plausibility. We may note in this connection that there have been important attempts at comparing NSS-based data on real average expenditure with [see Vaidyanathan 1986], or adjusting it in the light of [see Minhas et

al 1987], alternate sources of corroboratory evidence. And, of course, there are sound reasons for engaging in such exercises in respect of the accuracy of data being used for analyses of consequence. Incidentally, apparently innocuous variations in the way nominal NSS data are adjusted (to take note of trended inaccuracies or, what amounts to the same thing, trended prices) can lead to rather dramatic variations in the computed incidence of poverty, and the implied strength of trends in the incidence of poverty over time [see Minhas et al 1987].

- 6 ln time =  $\sim 10.62 + 2.59$  ln p (5.69)  $R^2 = 0.76$  n = 12
- 7 Actually, the Mellor-Desai regression, in which In time is 'inappropriately' substituted for In p, gives a marginally better fit. The answer seems to lie in the better collinearity with the omitted distributional effects (see Section III).
- 8 As was apparent when Ahluwalia [1986] tried the identical formulation for an extended period.
- 9 It will not be possible to present our evidence in this paper: this might result in an overload of themes. We should, however, note that our comments are based solely on the visual inspection of the (more pain-stakingly) isolated distributional effects. We did not attempt to carefully establish the causes for these distributional changes because it seemed anyway not very interesting to seek reasons for nominal changes.
- 10 An anonymous referee obliged us to drop the rigorous illustration (not proof) which appeared in an earlier draft. Incidentally, the same thing would happen if the explanatory variables impacted on the dependent variable in the same direction, but were inversely correlated with each other.

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Section 44AB of the Income tax

Act, 1961 requires every person carrying on business or profession to get the accounts for previous year audited by an "accountant" by a "specified date" in the following cases:

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Persons carrying on profession:

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- If annual receipts exceed rupees Tenlakhs.

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#### **ECONOMIC AND POLITICAL WEEKLY**

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#### **Numbers Matter**

The First Five-Year Plan's long-term perspective of doubling the per capita income in 27 years was based on projections of growth of national income and population. Population growth, however, was in fact 2.24 per cent per annum during the period 1961-71 to 1971-81 compared to the 1.25 per cent per annum projected in the First Plan. At this rate it would take 45 years and not 27 to double per capita NDP.

#### Privatising the Nation's Welfare

The withdrawal of budgetary support to public enterprises, enforcement of management policies and practices based on business norms in the private sector and opening up of 'reserved' industries for private enterprise, Indian and foreign, add up to a policy of privatisation which has been unfolding for the last three years.

823

The Maharashtra government's decision to charge for public hospital facilities will only push people towards making greater use of private medicare and will in turn accelerate the trends towards privatisation of state 'welfare'.

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#### Whose Game?

Rajiv Gandhi's visit to the US and his statements during and after the visit have been a clear indication that in diverse areas of international significance, including Afghanistan, the Indian government's stand has been modified to suit US sensitivities. This is undoubtedly linked to the pursuit of the prime minister's pet obsession, high tech, which he believes the US possesses most abundantly and can be persuaded to share.

Afghanistan is an Asian state with a coloured people. That should concern us more than the fine games that Gorbachev might play with Reagan. Unfortunately the policy-makers in South Block are applauding as 'historic' something they may not have fully comprehended.

#### Bihar's Mass Movements

For the Naxalite groups the task of organising mass movements and evolving a workable relationship between these and the party has been anything but easy.

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#### The Dispossessed

The government's rehabilitation policy for the oustees of the Narmada Valley project may read progressive but has yet to benefit the project-affected villagers in Gujarat.

#### Cost of Living

How have the different states fared in respect of changes in the cost of living?

#### **Nuclear Posture**

There is a fundamental inconsistency in the Indian nuclear posture. While the 'Pakistan danger' is highlighted as an explanation for maintaining the nuclear option, the government, whenever necessary, ropes in the 'China threat' as an explanation for India's 'wider' security concerns.

#### Politics of Power Sharing

The major force crying for decentralisation of power in India is the opposition which, while it is gaining in strength, continues to remain institutionally largely unrepresented. The ruling party has developed a vested interest in denying it institutional representation. But the process of decentralisation is so well rooted in society that any move to counter it will weaken rather than strengthen the political system.

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The decision seems to have been taken in the highest quarters that states will be gradually divested of independent powers of revenue raising. The country is to be administered as one integrated unit. Such centralised control is likely to come a cropper and our polity may well be on the way to a oreak-up.

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#### Cotton Cycle

If the monsoon is good and, as the government hopes, cotton production does touch 110 lakh bales, the thing to worry about will be a repetition of the experience of 1984-86 when two successive good harvests led to a 'crisis of plenty'.

#### LETTERS TO EDITOR

# Larger Fellowships or More Fellowships?

WITH reference to a news published in Indian Express (April 8) the UGC seems to have succumbed to the pressures of the capital-based lobbies by enhancing the amount of junior and senior research fellowships to Rs 1,800 from Rs 1,000 for the first two years and to Rs 2,100 for the third year. Reacting to the announcement of the UGC's revised fellowships, the National Co-ordination Committee of Young Scientists and Research Fellows welcomed it as only "partial success". What the UGC seems to have overlooked is the series of problems faced by a large number of PhD scholars in various universities who continue to pursue their research without any financial assistance. Their research output cannot but suffer due to lack of finance for their research. The UGC might well have retained the amount of the junior and senior research fellowships unchanged and at the same time it could have increased the number of fellowships benefiting a larger number of students.

Another major issue that is often overlooked by educational planners is the overemphasis on higher education without taking into account its distributive effects within our stratified social structure. For example, in a study of relative distribution of financial burdens and flow of benefits of education, Hanson and Weisbrod (Benefits and Costs of Public Higher Education) found that "the current method of financing public higher educatlon leads to sizable redistribution of income from lower to higher income group". Another study by Woodhade for QECD (Financing of Education and Primary Education Goal) points out that "systems of subsidiary and student aid often succeed only in transferring income from the average tax payer to those who will have higher than average earnings". When this is the redistributive effect of higher education in advanced countries. the danger of redistribution through higher education in India cannot be overrated. In such context what is needed is a policy of discriminatory treatment to the advantage of the under-privileged sections.

The crux of the matter is that since admissions to higher education are made on the basis of success in lower level ex-

aminations, which is very much influenced by the socio-economic background of students, necessary emphasis must be put on equality of achievement at lower and middle levels. In the long run, this will go a long way in training and enabling the disadvantaged groups to compete with other privileged sections of the people. Otherwise the present educational system will only accentuate inequality.

Another important factor that the policy-makers ignore is the particular conditions, especially inflation, prevailing in different parts in different degrees. For instance, the proposed higher fellowship amount has a higher real value in Bangalore than in Madras which is the costliest city in the country. Hence there must be differential treatment in the provision of fellowship amount, so that there will be a uniform real value throughout the country.

M RAMAN

Madras

# Threat to Revolutionary Writer's Life

THE recent killing of Satyanarayana Reddy, a sub-inspector of police, at Madikonda near Warangal, by Naxalites, on March 19, evoked anger in police circles. While removing the body, the police organised a procession and raised slogans, which were rather queer. They raised such slogans as "ten murders to avenge one murder", "we will kill Varavara Rao". It may be recalled that in an earlier incident, where the sub-inspector of Kazipet was killed by the Naxalites, the police retaliated by killing Dr Ramanadham, a prominent civil liberties activist (APCLC), in broad daylight. Now again, the police publicly proclaim that they would do away with the life of Varavara Rao.

After the Telugu Desam Party (TDP) came into power, about 120 persons were killed in fake encounters. Only some of them are Naxalites and most were sympathisers and innocent people. Several police officers and men who participated in these, were given rewards, gallantry awards and gifts, etc, besides promotions to higer levels by the government. It is exactly in this context, that the Naxalites have chosen to act against such police officers, who have become repressors. But

the stance of the police and their declaration to kill APCLC activists and revolutionary writers, prove the extent of police terrorism.

Varavara Rao is a revolutionary writer and a critic. He is a college teacher and was the editor of Srjana for two decades and a responsible citizen of Indla who is afterall trying to discharge his duties as a disciplined soldier in the cultural field. Yet, the police have implicated him in several criminal cases and got his poetical work Bhavishayat Chitrapatam (Framepicture of the Future) proscribed. He was made to spend two and half years in prison. He was acclaimed a people's writer. Now, it is the police that threaten the precious life of Varavara Rao. This act of the police, exhibits unequivocally the venom and intensity of police terrorism, which should be condemned by one and all and by Revolutionary Writers in particular.

V CHENCHAIAH
Revolutionary Writers' Association

Andhra Pradesh.

SU	BSCRIPTION R	ATES
	Inland	
(inc	luding Bangladesi	h and Nepal)
Institutions	One year	Rs 300
	Two years	Rs 575
	Three years	Rs 850
Individuals	Six months	Rs 120
· ·	One Year	Rs 295
	Two years	Rs 425
	Three years	Rs 625
Concessiona	l Rates	
		One year
Teachers/Res	earchers	Rs 175
Students		Rs 125
	rates are available ssional rates, certific	

institution is essential

Remittance by money order/bank draft/postal order requested. In view of revision of collection charges.

requested in view or revision or collection charges by banks, please add Rs 14 to outstation chaques

	Foreign					
	Annual					
	Institutions	Individuals				
Surface mail						
(all countries)	US \$ 60	U\$ \$ 40				
Air mail						
Pakistan and						
Sri Lanka	\$ 60	\$ 40				
Other Asian						
countries	\$ 70	\$ 60				
Africa, Australia,						
Europe and Japan	\$ 85	\$ 75				
South and North						
America and						
New Zealand	\$ 100	\$ 90				

# Uneasy Prospect

The Afghan crisis is far from over. The crux of the problem—who is to wield state power in Kabul in the aftermath of the Soviet military withdrawal—is yet to be resolved. The achievement of the Geneva accord signed by Pakistan and Afghanistan, with the two superpowers acting as guarantors, is that it provides for the withdrawal of Soviet troops. But, clearly, the decision in this matter was Mikhail Gorbachev's who had publicly declared that Soviet military withdrawal from Afghanistan would take place anyway, regardless of whether or not the negotiations under way in Geneva resulted in an agreement.

The first protocol of the accord that has now been signed binds Pakistan and Afghanistan to non-interference and nonintervention in each other's affairs. The second protocol relates to the voluntary return of Afghan refugees. The third is between the Soviet Union and the United States to refrain from interference and intervention in the internal affairs of Afghanistan and Pakistan and to respect the commitments contained in the agreement between Afghanistan and Pakistan, in particular those pertaining to non-interference and nonintervention. And, lastly, there is to be a phased withdrawal of Soviet troops from Afghanistan beginning from May 15 and to be completed in nine months, with one-half of the troops to be withdrawn by August 15. The Soviet Union and the United States have, however, been left free to continue to provide military aid to their respective clients, the United States matching the provision of Soviet military aid and vice versa—the so-called 'positive symmetry' agreement. At the same time, the Afghan accord binds Pakistan to non-interference in the affairs of Afghanistan, even though US military aid to the mujahideen would have to be routed through Pakistani territory and would require active Pakistani involvement. Indeed the US has placed Pakistan in a difficult position by making it pledge noninterference in Afghan affairs in the accord and at the same time requiring it to transmit arms supplies through its territory. The Geneva agreement also obliges Pakistan to dismantle the bases of the mujahideen on its soil. Pakistan takes the position that there are no such bases in the country, only Afghan refugee camps. Further, since the mujahideen have vowed to continue fighting the Kabul government, it is doubtful to say the least that conditions conducive to the return of the refugees will be created in the near future.

Pakistan had laid down two pre-conditions for signing the Geneva accord, both of which were later dropped evidently under pressure from the United States. Its first demand was that an interim coalition government including the mujahideen and representatives of the Afghan refugees be formed before the Soviet pull-out. The second condition was a 'negative symmetry' agreement among the superpowers under which the Soviet Union would stop military aid to the Kabul government and at the same time Washington would cease arming the mujahideen. There were grounds for apprehension that, if the Soviet troop withdrawal was not accompanied by agreement on an acceptable coalition government in Kabul and stoppage of outside arms

supplies to all the parties, the result would be a war in Afghanistan. From Pakistan's point of view such a development would effectively deter the return of the estimated 5 million Afghan refugees—2 million in Iran and the rest in Pakistan. So while Pakistan has signed the Geneva accord, president Zia-ul-Haq has predicted 'trouble and turmoil' ahead following the withdrawal of Soviet troops, in the absence of an agreement on an interim government in Kabul.

The mujahideen have vowed to continue fighting the Kabul regime. The UN mediator, Diego Cordorvez, has said that he would continue his efforts to promote an intra-Afghan dialogue, basically to get the warring groups to agree to an interim government. The mujahideen, however, are not willing to share power with the ruling Peoples Democratic Party (PDP) which in turn is prepared to concede only a nominal representation in the government to the mujahideen.

It is believed that it was the Soviet Union which was against a 'negative symmetry' agreement with Washington that would have blocked military aid by the two to their respective clients. What could be the possible reasons? Moscow did not perhaps want to set a precedent which could create difficulties for it in, say, Kampuchea or Angola. More important, the Soviet Union probably did not want to run the risk of the Najib government having to fight for survival against the mujahideen without Moscow's military aid. The government in Kabul is believed to control no more than about 30 per cent of the country. The US, on the other hand, has pumped hundreds of millions of dollars worth of military hardware to the mujahideen. Moscow's insistence on continuing military aid to Kabul could thus be an index of its assessment of the Najib government's vulnerability in the face of continued attacks by the mujahideen. US president Ronald Reagan wants the mujahideen to continue their fight against the Soviet-backed Afghan government. He has said that the mujahideen would receive US military aid as long as Moscow continued to arm the 'puppet government' in Kabul. Reagan has sought to depict the Afghan accord as a vindication of his administration's aggressive foreign policy stance in relation to the Soviet Union.

Clearly, then, the Afghan crisis is far from being resolved with the signing of the Geneva accord. The PDP was installed in power following a coup in April 1978. The PDP government subsequently came under powerful armed pressure from landowners, mullahs and the mujahideen resistance groups backed by the US. It was also weakened by severe in-fighting among different factions of the PDP and Moscow feared a countercoup leading it to send troops into Afghanistan in December 1979. The present situation in Afghanistan, from the point of view of the Soviet Union and the PDP, is basically not so very different from the one that led to Soviet military intervention in the first piace. It would be realistic, therefore, not to expect too much of the so-called peace accord and to be prepared for a continuation of the hostilities between the PDP regime and its opponents.

**HEALTH CARE** 

#### Another Step Towards Privatisation

THE Maharashtra government's recent decision to charge for public hospital facilities speaks of a basic unconcern about the health and welfare of the majority of the population. The decision cannot be too strongly condemned. It is in a sense irrelevant to even take note of the government's hollow justification for the move—that it would now be able to "improve the quality of services in government hospitals". The Lentin Commission's findings show quite clearly that paucity of funds is certainly not the most important cause of the poor status of health care facilities in government hospitals. The JJ hospital alone receives an annual grant of Rs 10 crore, but little is known about how it is spent. The state's teaching hospitals and the FDA together spend about Rs 88 crore annually, which is hardly a small sum, and while there may be a case for larger proportional allocation for health services as a whole, medicare services are even now consuming a major portion of the health budget. Until now the government has made no concrete proposal to make hospital services more efficient. In the circumstances, the additional revenue which the government hopes to collect is likely to be spent at best on more sophisticated equipment which would only aggravate the disparities in the access to proper care, while the existing inefficiencies persist.

There are also larger issues involved in all this. This is yet another indication of how rapidly the bourgeois state is shelving its welfare responsibilities. At the same tlme it is ensuring the survival and proliferation of the private sector in health care. It is fairly well known that health services are utilised by the poorest sections only in critical situations or in an emergency. With the introduction of fees for service, the government is, firstly, ensuring that the decision to seek medicare will be postponed even more, thus contributing to the spread of preventable morbidity and mortality. Secondly, because now the choice would be between a doubtful public health service and a projectedto-be-efficient private care and both have to be paid for, the latter would appear to be the better alternative. In effect the 'welfare' state is pushing people towards utillsing private health services. This will undoubtedly further encourage the rapid proliferation of private clinics, nursing homes and hospitals.

The government decision also throws

light on another aspect of health care. The government regulation details charges for all the components of medical care-not only will patients be charged for registration and have to pay a deposit of Rs 200 for any surgery, but they will also pay for diagnostic procedures like routine pathological investigations, x-rays, and all ENT investigations. Once the diagnosis is complete, the patients will have to pay for every bit of 'cure and care'-for bed, drugs, food and even, believe it or not, dressings and bandages (when undertaken by the nurse/dresser). Thus if poor patients cannot afford the prescribed procedure or dressing or medication the medical establishment can no longer be blamed if they do not get well. This is a significant step towards making medicare institutions less accountable and the citizens entirely responsible for their poor health. The victim-blaming attitude which today underpins the state's total disregard for preventive care and public health measures will now allow for shifting the responsibility for unsatisfactory curative care as well on to the poor patients.

**EXPORTS** 

#### 'Thrust Sectors' Lag Behind

THE more glossy the annual reports of the ministries and departments of the government of India become, the more they seem to lose in terms of their information content. The report of the ministry of commerce for 1987-88 seems to consider it almost unnecessary to make a reference to changes in import and export regulations. True, the import-export policy announced in 1985 was to hold good for a three-year period, but changes in trade regulations in respect of specific items or groups of items have been effected from time to time and where else but in the annual report of the commerce ministry would one expect to find a consolidated compilation of the more important of these changes? Similarly, though fiscal levies on imports and exports in the form of customs duties fall within the sphere of the finance ministry, no grave impropriety would have been committed if the commerce ministry's report were to contain an account of the more significant changes in these levies. If the premise that the government's policies have some bearing on the trends in the country's exports and imports is at all taken seriously, then it follows that the bland recitation of the year-to-year increases and decreases in imports and exports of specific items contained in the commerce ministry's annual report would have been made more meaningful against the background of the changes in the fiscal levies and the physical regulations on trade.

In the same way, the commerce ministry, it is apparent, considers changes in the exchange value of the rupee as being no business of its. So there is no mention of this subject in the ministry's annual report though, as is well known, in the period covered by the report there were major and disparate changes in the value of the rupee in relation to the world's major currencies. The impact of changes in the exchange rate of the currency on a country's external trade as a whole as well as on the trade in specific groups of articles has been a matter of lively debate within the economics profession. As it happens the commerce ministry maintains a not inconsiderable set-up for conducting economic studies and analyses pertaining to the country's external trade and it is therefore not too much to expect that in the one report that the ministry presents to parliament annually it would share with the elected representatives of the people some of its insights into how the changes in the rupee's exchange rate might have affected the country's imports and exports.

There is also another, and much less ambltious, reason for expecting some reference to the changes in rupee's exchange rate in the commerce ministry's annual report. The report presents statistics of the value of exports and imports of different groups of items as well as of India's exports to and imports from different countries. All these statistics are expressed only in rupees. Thus we learn with the help of a few calculations that the value of India's trade in the first six months of 1987-88 with the UK rose by 23.4 per cent over the corresponding period of 1986-87, with the Federal Republic of Germany by 17.9 per cent and with the US by a more modest figure of 12.5 per cent. Now how would the picture of the relative rates of growth of trade with these countries look once account is taken of the fact that, on an average of months basis, the exchange value of the rupee declined by 19.6 per cent in 1987 in relation to the deutsche mark, 12.9 per cent to the pound sterling and only 2.7 per cent to the US dollar?

But of course it is no use asking for the moon. What the commerce ministry offers us are statistics of exports and imports expressed in rupees and it is from these figures that one must draw what conclusions one can. One of these is how much at variance with the government's expectations and policies has been the

actual pattern of growth of the country's exports. From the table in the report on our principal export items, it is possible to calculate that nine of these items (fish, cashew, coffee, tea, iron ore, cotton yarn and fabrics, garments, leather and leather goods and gems and jewellery) accounted for Rs 6,835 crore or 54.4 per cent of the country's total exports of Rs 12,567 crore in 1986-87. And in the first half of 1987-88 the share of these items went up further to nearly 56 per cent of the total. In 1980-81, on the other hand, these items had accounted for slightly less than 48 per cent of total exports. Of the rise in exports between 1980-81 and 1986-87 the share of these items had been almost two-thirds. By contrast, the share of the industrial machinery and transport equipment and basic chemicals groups in total exports was 9.4 per cent in 1986-87, having come down from 11.3 per cent in 1980-81, and to the growth of exports between 1980-81 and 1986-87 their contribution had been a mere 7.2 per cent.

There is of course no reason at all to scoff at the growth of exports of items such as leather and leather products or garments or gems and jewellery. These are by and large labour-intensive products and so the growth of their exports has no doubt made a wholly welcome contribution to expansion of employment. But what the pattern of growth of exports brings out is that the modern sector of industry which has been the recipient of so much of investment and input of technology, most of it imported, has made little contribution to exports. Nor are there any signs of a change in this pattern. And yet the objective of promoting exports continues to be at the centre of the government's policies towards the modern industrial sector, whether in relation to import of technology or approval of foreign technological and financial collaborations or permission for Indian large houses and foreign multinationals to set up new units or expand existing units.

Towards the end of the commerce ministry's annual report is presented what is called a 'list of thrust sectors'. This presumably is a list of the sectors considered especially promising from the standpoint of export promotion and therefore singled out for special attention in the government's export promotion policies. And what do we find included in this list? Catch-all groups of industries like 'capital goods and consumer durables', 'electronic goods and computer software' and 'basic chemicals'. It appears it will be hardly an exaggeration to say that such growth as has taken place in our exports

has taken place almost in spite of government policy.

#### **PUNJAB**

#### Tiwana Commission s Findings

WHILE newspaper headlines keep us assuring that 'terrorists' of all grades and categories are being arrested every day in Punjab, one wonders how many among them are really 'terrorists'. The difference between suspicion and sure knowledge has been blurred by the catch-all provisions of the Terrorist and Disruptive Activities (Prevention) Act which whet the subjective inclinations of any policeman who wants to settle old scores or impress his bosses with the greatest number of catches.

Meanwhile, no one knows what is happening to those arrested. In the absence of any new provision relating to the production of the arrested person before a magistrate in the anti-terrorist act, we assume that as in the past the arrested person must be produced before a magistrate within 24 hours of his arrest. Under the act, offences are triable only by special courts. How many special courts have been set up? How many arrested people have been brought before them? How many have been convicted so far? How many are still undergoing trial? And among the latter, how many are in jails, and how many in police custody? No one knows the answers. And yet, it is important to find out the fate of those who might be in police custody. For, it is in the police lock-ups and interrogation cells that the worse crimes are committed. An investigation into the conditions of prisoners in police custody is essential particularly in view of the latest amendment to the anti-terrorist act, which makes admissible in the courts any confession made by the arrested person to a police officer. Everyone knows how confessions are extorted from the arrested person by police officers. Given the new powers in the amended act, one can well imagine the extent of torture that the police might employ to extract a 'confession' from anyone suspected to be a terrorist, so that the 'confession', tailored to meet the needs of the prosecution, can be used against the arrested person.

If all this sounds wild suspiction, and if people think that police tortures in lock-ups are things of the past and reserved only for Naxalites, they should read the report of the one member commission headed by Justice C S Tiwana, retired

judge of Punjab and Haryana High Court, set up by the short-lived Akali Dal government in 1985 to inquire into torture of National Security Act detenus lodged at Ladha Kothi jail, Sangrur. The premises of the Ladha Kothi jail, situated in a desolate area, were used in the past as a place for interrogating criminals. In May 1984 however it was turned into a fullfledged jail. Many among those arrested from the Golden Temple during Operation Blue Star were despatched to this jail where they underwent 'interrogations'. According to statements recorded by Justice Tiwana from the detenus, the 'interrogations' were marked by two common modes of torture-"One is use of an extra-thick pestle, like mini log which is placed on the thighs of the detenu with one person or two persons standing on it. The detenu is made to lie on the floor prostrate or supine. The pestle with load thereon is then totated over the thighs... The second mode of torture... consists of stretching the legs apart to the unbearable extent. The detenu is made to sit on a plain surface with one person supporting his back with his knees and pulling his long hair backwards. The legs are held at the ankle level by different persons and pulled apart. ."

It needs to be recalled that these detenus who were sent to I adha Kothi jail were mostly pilgrims caught up in the battle between the terrorists and the army in the Golden Temple. According to their statements recorded by Justice Tiwana, they were required to confess that they were terrorists, and on their refusal to do so they were subjected to the torture which left some among them crippled.

The brief spell of a popular government in Punjab in 1985 afforded the public a chance to know what was happening in police lock-ups and jails, thanks to the Tiwana Commission of Inquiry's findings. But today, with the impending imposition of an emergency in Punjab, there will be little opportunity to get to know the facts, whether ail those being arrested are terrorists or innocent citizens, whether the detenus are going through the same process of 'interrogation' as their predecessors had to undergo in the Ladha-Kothi iail

If Elizabethan England could boast of the Tower of London, and Hitler's Germany of Auschwitz, our India of Rajiv Gandhi can well be proud of Ladha Kothi, the Yamuna velodrome in Delhi (built for the Asiad games, but used for 'interrogation' of terrorists now), and the numerous other, known and unknown interrogation centres spread all over the country.

#### MONEY MARKET

#### House for Bills

THE need for a discount house as a money market intermediary was first stressed by the Banking Commission in 1972. Its importance was reiterated by the Working Group to Review the Cash Credit System later in 1979. The latest to underscore the need for a body to develop the money market was the Working Group on the Money Market (the Vaghul Committee) and this time the Reserve Bank has been quick to accept the recommendation and implement it. Accordingly, the Discount and Finance House of India (DFHI) has been set up with a paid up capital of Rs 100 crore contributed by the Reserve Bank, the public sector banks and the financial institutions in the proportion of 5:3:2. The finance house will also enjoy a line of credit from the public sector banks and refinance from the RBI. The intention is that the RBI would be able to send signals to the market about the emerging situation in regard to overall liquidity through the amount of refinance from it and the rate of interest on such refinance. In other words, the money market will be a "focal point for the central bank for influencing liquidity in the economy"—such is the expectation.

The DFHI as it has emerged is charged with almost the same functions as suggested by the Vaghul Committee. The main one is to even out the demand for and supply of short-term finance in the money market. Towards this end the DFHI would for the present rediscount commercial bills, rediscount treasury bills, mainly the 182-days treasury bills, undertake short-term buy-back arrangements in. government and approved dated securities and provide services in any other shortterm money market instruments. The DFHI is expected to actively trade in money market instruments rather than become a repository of market assets. Incidentally, with resources equal to 10 to 15 per cent of total money market funds, the finance house is expected to be an effective counter to the State Bank which, flush with funds, has been enjoying a domineering role in the market.

Among the many functions the DFHI is charged with an important one relates to the fostering of a bill culture among trade and industry. The need to encourage a bill market has been emphasised on more than one occasion, beginning with Dahejla Committee. However, efforts so far to promote the bill market have not yielded the intended results. Apart from the cumbersome procedures prescribed, among the reasons for the failure of the

bill market to take off have been mentioned the resistance of the borrowers who felt they would lose the flexibility they enjoyed under the cash credit system; the reluctance of the business community in general to submit itself to bill finance discipline which expects buyers to honour their liabilities on the due dates of the accepted bills; the loss of interest on the partof the banks once the RBI discontinued granting refinance against bills. The absence of specialised credit information agencies and the reluctance of banks to. exchange full credit information among themselves also hampered the operation of the scheme. Due to the existence of the facility of the participation certificates scheme, resort to rediscounting of bills

with other eligible institutions was avoided and so bills were not really used to even out the flow of funds. The exclusion of hundis (indigenous bills of exchange) from the purview of the rediscounting scheme was also mentioned as a reason for its lack of success.

It is to be expected that the attempt to revive the bill market scheme with the DFHI as the pivot will take the above lessons into account. Incidentally, the recently reported decision of the Small Scale Industries Corporation to discount bills pertaining to small industries should enable the DFHI to make its presence felt in the small-scale sector through a rediscount window for the bills discounted by the NSIC.

#### **BUSINESS**

#### COTTON

#### Many Lobbies to Appease

THE union minister for textiles, Ram Niwas Mirdha, told newsmen in New Delhi the other day that there was no going back on the government's decision to import cotton, if necessary. To say this is not to say much really. What matters and what one would have liked to know from the minister is whether or not it is really necessary to import cotton. Mirdha's reported statement is blissfully vague and it is capable of different interpretations. It has the semblance of a subtle attempt to appease the industry as well as the farm lobby. It is common knowledge that while the industry has long since been pleading for making good the shortfall in indigenous production through import of cotton/viscose staple fibre, the farm lobby has been strongly opposed to the idea of importing cotton.

The Cotton Advisory Board had recommended at its February meeting direct import of cotton in addition to imports under the advance licensing scheme and Mirdha had indicated earlier that he would go by the CAB's recommendation. But the government has not taken any firm decision in regard to the quantum of imports so far. One wonders whether this has had anything to do with the conflicting pulls of various ministries-agriculture, finance and commerce-connected with the Issue of cotton import. May be. the textile ministry has not been able to make up its mind on the varying assessments of the demand-supply position of cotton made by different bodies. It has no independent source of crop information

on which it could rely for policy formulation. This reflects poorly on the government's management of the cotton economy. It could also be that the government is not all too sure about how much cotton would come under the advance licensing scheme and it is still watching the price situation both in the domestic and international markets and does not feel that the time is appropriate for effecting direct imports.

Be that as it may, it is all to the good that the government has not acted in haste. For the cotton scenario that has emerged over the past two months or so bears out that the supply position of cotton is not all that alarming as had been made out by the Indian Cotton Mills' Federation, the mouthpiece of the organised acctor of the textile industry. Indeed, the cotton scene has undergone a profound change since about the middle of February.

At its last meeting on February II, the Cotton Advisory Board had painted a very depressing picture of the demand-supply situation. Total supply had been reckoned at 107 lakh bales—opening stock 20 lakh bales and crop 87 lakh bales. With mill consumption estimated at 94 lakh bales and extra-factory consumption at 5.50 lakh bales, domestic demand amounted to 92.50 lakh bales, leaving a carryover of only 7.50 lakh bales at the end of August. Never before had any cotton season been known to have ended with such a small carryover.

But the cotton balance-sheet prepared by the East India Cotton Association and approved by the representatives of trade associations of different states and of growers' bodies and also by some senior officials at a meeting held in Ahmedabad on April 10 presents a picture which far

from being alarming is reasonably reassuring. The opening stock has been reckoned at 28.51 lakh against 20 lakh bales assumed by the CAB. The EICA has put forward a convincing explanation for its higher opening stock-mill consumption during September and October (all 1986-87 crop cotton) 15,50 lakh bales, mill stock at the end of October (based on returns received by the textile commissioner) 11,50 lakh bales, consumption by surgical units and khadi industry during September-October 1 lakh bales and stock held by the CCI and Maharashtra federation 50,000 bales; all these add up to 28,50 lakh bales. The 1987-88 crop has been placed at 88.85 lakh bales. Together with imports of 5 lakh bales under the advance licensing scheme—committed 2.50 lakh bales and anticipated commitment 2.50 lakh bales—the total supply comes to 122.36 lakh bales.

On the demand side, mill consumption has been reckoned at 92 lakh bales, extra factory consumption at 5.50 lakh bales and exports at 20,000 bales, making a total of 97.70 lakh bales. This would leave a carryover of 24.66 lakh bales at the end of August which would be sufficient to take care of mills' consumption for three months by which time new crop cotton will be available in good measure.

The profound change in the market scene is amply reflected in the very substantial decline in cotton prices from their January-February highs. The fall in prices ranges from Rs 1,100 to Rs 2,100 per candy, depending on variety. Broadly speaking, medium varieties have suffered the worst, followed by long and extra long staple varieties. Early in January, the ICMF committee had recommended one day a week voluntary closure as the only course open to mills to tide over the current raw material crisis as the government had not responded to the industry's repeated pleas for imports of cotton/ viscose staple fibre. But now mills (excluding the affluent units) are content with keeping their inventory at the barest minimum, the substantial fall in prices notwithstanding. This change could not have come about without a distinct change in the industry's assessment of the overall raw material supply position.

Improved supply prospects apart, quite a few other factors also seem to have contributed to the marked change in market sentiment. The slide-down in prices has given a big jolt to speculative elements in the trade which had been exploiting the psychology of scarcity resulting from the setback in cotton production and meagre stocks with the CCI and Maharashtra federation at the end of last season. The

prospects of increased consumption of man-made fibres following the reduction in fiscal levies announced in the 1988-89 budget and the slackness in foreign demand for cotton yarn, fabrics and made-ups—only the garment sector is currently doing well—have also contributed to the change in market psychology to some extent.

Lest one get carried away by the revised estimates of supply and recent decline in cotton prices, it needs to be pointed out that the behaviour of cotton prices during the lean months ahead is likely to be influenced largely by the behaviour of the south-west monsoon. A poor monsoon can upset all calculations. The supply position of cotton can by no means be reckoned as comfortable, nor are cotton prices on the low side. Compared with the prices of cotton in international markets, Indian cotton is considerably costlier. This has serious implications for the textile industry engaged in export activity.

The need for planned regulation for cotton cultivation can scarcely be overemphasised. It is necessary for stepping up production, achieving proper varietal balance to suit the industry's requirements, subserve consumer interests and eliminate the recurrence of ugly happenings such as those in Andhra Pradesh where cotton growers committed suicide due to loss of cotton crop because of boll worms and "excessive and indiscriminate" use of synthetic pyrethroid insecticides.

Sanat Mehta, former finance minister of Gujarat, has urged the centre to consider a scheme aimed at early production of 7 to 10 lakh bales in October to avert imports and help cotton growers. The newly formed All India Co-operative Cotton Federation, inaugurated by Hari Krishna Shastri, minister of state for agricultural research and education, has expressed the view that if an appropriate plan is adopted and suitable incentives are given for early sowing of cotton in selected high productivity districts of the cotton growing states it should be possible to achieve the production of more than 110 lakh bales and more specifically make available to the textile industry 10 lakh bales of cotton by October 1988. One could not possibly wish for anything better. It is to be hoped that if the monsoon is really favourable and cotton production does touch the 110 lakh bales mark, the government will not allow a repetition of what happened in 1984-85 and 1985-86 when two successive good harvests of 101 lakh bales and 107 lakh bales led to a 'crisis of plenty', causing considerable distress among cotton growers, massive price support operations notwithstanding.

#### TWENTY YEARS AGO

EPW, April 20, 1968

The inauguration of work on Bokaro's first blast furnace by the prime minister on April 6 did not generate the kind of enthusiasm that the launching of Bhilai, Durgapur and Rourkela has generated. Partly this reflects the ebbing of the euphoria over planning and development which characterised the Second Plan and the early Third Plan years. But that is not ali; those who have followed the fortunes of Bokaro cannot altogether forget the many unhappy decisions which have marked the tortuous progress of the project... In the first place the decision to set up a new steel plant in preference to expanding the existing plants was based on anything but economic considerations... After the Russian commitment of aid, the government's decision to go back on the understanding that the entire design and engineering work would be given to an Indian consulting firm was not only deplorable ethically but was, besides, a major setback to development and utilisation of Indian engineering skills... All this notwithstanding, the start of work on the Bokaro steel plant is a landmark in the country's development.

Another bumper harvest has gone by without the government taking advantage of it to crystallise a national food policy and the organisation necessary to implement it. It should have been apparent that after two poor harvests agriculturists may tend to hold on to the current year's abundant crop. Procurement should, therefore, have been stressed all the more, first, because it is easier to procure in a good year, second, because the public distribution system... would have to be maintained as far as possible, and, third, because a buffer stock would be an invaluable support should next year's crop fail again.

President Tito has good reason to feel an urgent need for another summit conference of the non-aligned nations. From the vantage point of Belgrade, he must have been watching with considerable agony the disintegration of non-alignment. One by one the non-aligned nations have deserted non-alignment. In Afro-Asia where nonalignment was born, it is now gasping for breath... India's foreign policy underwent a sea change after 1962. Though there was no dearth of intentions to remain nonaligned circumstances forced it to a position of great dependence on precisely those from whom it wanted to keep away. Indonesia was soon to follow. . . Burma's isolation was less dramatic but more complete. In 1966 Ghana and Nigeria fell with a thud. The UAR... was dealt a serious blow last year and has since then ceased to have the capacity to pursue a foreign policy free from day-to-day concern about its security much the same way as India did earlier.

									<del></del>
		Latest Week (2-4-88)	Variation (per cent)						
Index Numbers of Wholesale Price (1970-71 = 100)	Weight		Over Last Month	Over Last Year	Over March 26, 1988	In 86-87**	In 85-86++	In 84-85	In 83- <b>84</b>
All Commodities	1000	416.9	0.7	9.9	-0.1	4.8	5.8	7.1	9.5
Primary Articles Food Articles	417 298	390.8 377.2	0.3 1.2	12.1 10.3	-0.7 -1.0	5.7 7.2	2.1 7.9	4.8 6.4	11.0 13.5
Non-food Articles	106	389.6	- 2.3	20.5	-0.2	6.7	-10.3	-2.3	15.1
uel, Power, Light and Lubricants	85	667.6	<del>-</del> .	6.6		6.7	11.9	2.6	7.6
Manufactured Products	499	396.1	1.3	9.0	1.2 Varis	4.7 ition (per e	7.2 cent)	6.0	8.7
Cost of Living Index		Latest	Over	Over	Over			_	
	Base	Month	Last Month	Last Year	March 1987	In 86-87	In 85-86	In 84-85	In 83-84
or Industrial Workers	1960 - 100	749 <sup>2</sup>	0.5	9.2	9.2	8.7	6.5	6.4	12.6
For Urban Non-Manual I-mployees 19	84-85 = 100	1282		9.4	9.4	7.3	7.9	8.1	10.3
For Agricultural Labourers	July 60 to me 61 + 100	655 <sup>2</sup>	- 0.3	14.3	14.3	4.8	4.8	0.2	11.4
			Variation (per cent in brackets)					,	
Money and Banking	I lade	Latesi Week	Over	Over	Over March	1	1	1	1-
	Unit	(25-3-1988)	Last Month	Last Year	'27, 1987	1n 86-87++	In 85-86++	ln 84-85	In 83-84
Money Supply (M <sub>3</sub> )	Rs crore	1,61,503	1,230	20,870	20,870	21,627	14,423	16,058	13,03
N. B. L.O. P. A. G.	D	92.060	(0.8)	(14.8)	(14.8)	(18.3)	(13.9)	(18.7)	(17.9
Net Bank Credit to Government Sector  Bank Credit to Commercial Sector	Rs crose Rs crore	83,950 1,03,225	- 21 1.922	12,652 10,079	12,652 10,079	12,822 10,576	6,555 10,963	8,445 10,809	5,75° 8,83
Net Foreign Exch Assets of Banking Sect		5,398	1,087	673	673	1,251	13	1,419	-10
Deposit of Scheduled Commercial Banks			- 2,856	14,850	14,850	16,723	13,160	11,519	8,55
	D	7 130	(-2.4)	(14.5)	(14.5)	(19.6)	(18.2)	(19.0)	(16.4
Foreign Exchange Assets**	Rs crore	7,138	1,087	507	- 507	604 (8.6)	197 (0.8)	1,319 (24.0)	1,23 (28.9
Index Numbers of Industrial Production	Weights	Latest Month	Avera Mon			Varie	ation (per o	ant)	,
(1970 100)		Month		1115	In	În	In	In	In
			1986	1985	1986 + +	1985 * *	1984	1983	1982
General Index	100.00	222.010	217.5	204.4	6.1	6.4	6.6	4.2	4.
Basic Industries	33.23 14.98	288.7 <sup>10</sup> 235.1 <sup>10</sup>	272.6 <b>231.</b> 0	250.9 224.1	7.7 2.4	8.7 3.1	10.8 6.6	5.5 5.3	8.0 0.9
Capital Goods Industries Intermediate Goods Industries	21.33	187.1 <sup>10</sup>	187.7	179.2	6.0	3.1 4.7	6.1	6.8	1.5
Consumer Goods Industries	30.46	174 410	173.1	161.9	5.3	6.9	2.6	0.6	5.
Durable Goods	3.81	303.1 <sup>10</sup>	286.7	246.3	14.0	17.4	17.8	1.0	3.0
Non-Durable Goods	26.65	156.0 <sup>10</sup>	156.9	150.1	3.4	4.5	0.2	0.5	6.
Foreign Trade	Unit	Latest Month	Cumula	ive for*					
		(Jan 88)	1987-88	1986-87	1986-87	1985-86	1984-85	1983-84	1982-
Exports	Rs crore	1,368	12,603	10,109	12,550 (14.0)	11,012 (-7.1)	11,855 (20.0)	9,872 (10.8)	8,9 (14
Imports	Rs crore	1,753	18,029-	16,401	20,063	19,766 (15.1)	17,173 (8.9)	15,763 (9.8)	14,3
Balance of Trade	Rs crore	385	- 5,426	- 6,292	- 7,513	- 8,754	-5,318	~ 5,891	5,4
Employment Exchange Statistics	Unit	Latest Month	Cumula	ive for*					
·		(July 87)	1987	1986	1986	1985	1984	1983	1983
Number of Applicants on Live Registers (as at end of period)	Thousand	27,259	27,259	28,442	30,131 (10.9)	26,270 (6.0)	24,861 (7.9)	23,034 (16.6)	19,75 (10.
Number of Registrations	Thousand	335	3,091	3,170	5,473	5,824	6,220	6,756	5,86
Number of Vacancies Notified	Thousand	56	373	354	(-6.0) 616	(-6.4) 683	(-8.0) 707	(15.3) 827	(-6. 82
Number of Placements	Thousand	35	215	216	(-10.0) 356 (-8.2)	(-3.4) 388 (-4.7)	(~15.5) 407 (~16.3)	(0.9) 486 (2.5)	(-8. 47 (-6
	Unit				, 0.2)	, 4.7)	, .0.2)	\-10)	, ,

<sup>\*</sup> For current year upto latest month for which data are available and for corresponding period of last year.

\*\* Excluding gold and SDRs.

+ Upto latest month for which data are available.

+ Provisional data.

@ Relate to 1970-71 prices.

Rupees

Rs crore 2,60,584 2,33,305 Rs crore 1,62,326 1,56,083 Rupees 2,975 2,721

Gross Domestic Product (current prices) Gross Domestic Product (1980-81 prices) Per Capita Income (1980-81 prices)

1,90,888 61,838 775

1,72,704

59,541 7**64** 

1,30,770

53,470 720

1,22,226 1,22,226 1,627

95,358

47,191 664

Notes: (1) Superscript numeral denotes month to which figure relates, e.g., superscript indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period.

# Afghanistan: After the Russians

**GPD** 

The 'cynical' Chinese response to the Afghan situation may be closer to reality than our own euphoric reaction to the Geneva accord.

WU XUEQIAN, foreign minister of China and recently promoted to the number three position in the Li Peng cabinet at the National People's Congress, gave an interview to the correspondent of The Hindustan Times on April 14. On the face of it Wu said very little that was new in that interview. He reiterated the three obstacles to Sino-Soviet normalisation. When asked if he did not think that the Geneva accord had removed at least one obstacle, he replied that while China welcomed the accord, it is yet to be seen if the Soviets would actually withdraw from Afghanistan. This does not appear to be a totally irrelevant remark. It is clear that Gorbachev wishes to withdraw from Afghanistan. It cannot be that Wu Xuegian or even Deng Xtaoping does not know this. What then did Wu mean when he appeared so unsure and vague on Afghanistan?

Presumably he meant that the withdrawal of the Soviet troops from Afghanistan is not the end of the Afghan problem. In March this year a comment in the Chinese press gave an indication of how the Chinese perceive the problem. In a blunt and almost callous way the Chinese said that the Soviet game of propping up the Najibullah government was not going to work; there were any number of Afghans willing to shed the last drop of their blood to prevent that. This came fairly close to the joke once quite popular in the west that in Vietnam the Americans were going to fight to the last American and the Chinese to the last Vietnamese. The Beijing Review which carried the above comment seemed quite unaware of the bizarre quality of what it was saying. In any case, what it was saying, however, was at one level quite true. Shorn of its anti-Sovietism, more so of its cynlcism, the Chinese view seems to be that the Russians might withdraw but that does not mean that the travails of Afghanistan are over. Genuinely difficult times he ahead for that country and what the new alignments or compulsions would be in a couple of years from now is more than anyone can say. The bloodshed in Afghanistan is not going to stop. If anything it is going to increase.

This is the reason why the 'cynical' Chinete response to the Afghan situation is closer to reality than our response to the Geneva socord. We have welcomed the ac-

cord. Why is a question worth asking. Have we welcomed it because the Russians are going away? As the Indian languages are languages of overstatement, our bureaucrats who speak Indian English have called it 'historic'. What is 'historic' about it? Do we realise that we have probably left the tribals of Afghanistan at the mercy of the wolves? Gorbachev would have his men back home (and indeed that is fine) but that does not mean that the war is over. Now it is going to be a freefor-all. Zia-ul Hug has not still seen the implications of his role in the entire sordid Afghanistan affair for the polity and the stability of Pakistan. He does not seem to realise that if you do a foolish thing in the name of Islam it does not cease to be foolish. What our own external affairs ministry people have not seen is that we do not have to applaud the liberation of 1,15,000 Soviet soldiers. It is going to result in chaos all the way from the eastern border of Iran to the banks of the Ravi a few miles west of Amritsar. How are we going to cope with this chaos? What implications has it for areas further east of the Ravi? The supporters of Soviet intervention in Afghanistan refused almost adamantly to see its power implications. The opponents, though they appeared to talk in terms of power, were also talking in terms of an anti-Soviet 'ideology' (anticommunism in the case of some, antisocial-imperialism or anti-hegemonism in case of some others). Sound commonsense-oriented power logic was the victim. The policy-makers in South Block are continuing that tradition. They are applauding as 'historic' something which. one fears, they have not fully comprehended. The Russians have walked out. Very good. But that does not make the Geneva accord 'historic' unless a modicum of 'stability' and 'peace' in Afghanistan are guaranteed. Afghanistan is an Asian state with a coloured people. That should concern us more than the fine games that Gorbachev might play with Reagan or later with his successor. We are right in welcoming the Soviet withdrawal and the Geneva accord which guarantees that. We can and should also applaud Gorbachev's initiative in discarding the dead wood of the Brezhnev era. But we should do so with a clear understanding that all this does not in any way end Afghanistan's agony.

As a fellow-Asian state that should be

our principal concern. Pakistan became an agent killer of fellow-Asians-something which we should have said more than once. For the well-to-do whites of Europe and America it was a question of a liberation war being fought with expendable Asian blood. We should have reminded some of our local champions of Afghan liberation of what in reality the game of liberation by the Mujahidcens means. We did not. It might not be a bad idea once again to take some interest in the future of Afghanistan and persuade everyone concurred that it is no use playing the western game and letting Asian 'gangrene' (this, incidentally, is the phrase of the charming comrade Gorbachev) spread.

May be, the Afghan situation might not after all deteriorate. The Najibullah government might be able to stabilise itself. It is also possible (though most unlikely) that a government acceptable to everyone concerned might emerge. Or the Mujahideen groups, because of their internal contradictions and tensions, may simply dissolve into the thin air. A liberation effort based on religious fundamen-. talism cannot succeed. When an occupying power is an advanced one it cannot be fought on the basis of a reactionary ideology. Anyway, if one of these things were to happen we would have been justified in calling that development as 'historic'. The Geneva accord is 'historic' only in terms of Soviet foreign policy. It has yet to acquire a similar 'historic' meaning for India's foreign policy. The fact that we as a people are in a 'festival mood' should not blind us to the frightening prospect in Afghanistan. If nothing else, we should have remembered that the bharat vakya (the final verse of benediction) cannot be said unless the drama (tragic in this case) is over.

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#### FORM 1 A

(See Rule 4A(1)

Form of general notice to be given to the members of the public before giving a notice to the Central Government under subsection (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969.

#### NOTICE

It is hereby notified for the information of the public that The K.C.P Limited proposes to give to the Central Government in the Department of Company Affairs, New Delhi, a notice under Sub-section (1) of Section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for substantial expansion of their undertaking Brief particulars of the proposal are as under:

1. Name and address of the owner of the undertaking :

The K.C.P. Limited

Registered Office

2, Victoria Crescent Road

Madras 600 1.05

2. Capital structure of the owner organisation

Capital Structure as on 30 6 87.

Authorised: Rs. 1,50,00,000 Equity shares of Rs. 10/- each 15,00,00,000

ued

1,14,34,198 Equity Shares of Rs 10/ each 11,43,79,530

Subscribed & Paid up:

1,14,34,198 Equity shares of Rs. 10/ each 11,43,41,980

25,460 Equity shares of Rs 10/- each earmarked for allotment to the shareholders

of Challapalli Sugars Ltd. (Amalgamating Co.) 2,54,600

11,45,96,580

3. Location of the unit or division to be expanded

The K.C.P. Limited Distillery Unit Vuyyuru 521 165 Krishiia District Andhia Pradesh

In case the expansion relates to the production, storage, supply, distribution, marketing or control of goods, indicate:

Names of goods

Cost of the project

Industrial Alcohol

ii. Licensed capacity turnover before expansion

Licensed capacity 25,000 B.L. per day.

iii. Expansion proposed

12,000 B L. per day (total licensed capacity to 37,000 B.L.

per day.)

 In case the expansion relates to any service, state the extent of expansion in terms of usual measures such as value, turnover, income etc.

: Rs. 1,50,000

7. Scheme of finance indicating the amounts to be raised

Term Loans from Banks

Rs. 1,10,000

from each source

Internal accruals

40,000

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

for THE K.C.P. LIMITED

Sd/· · · · V.L. Dutt

Chairman & Managing Director

Dated this 4th day of April, 1988.

# Calcutta Diary

AM

A milieu where several small-sized states come into their own and a loose kind of federal or confederal arrangement binds them together may restore order and induce a high rate of economic growth. But is there any means by which those in authority could be persuaded to at least examine suggestions of this nature?

ARE we approaching, inexorably, the point where the unthinkable becomes eminently thinkable? Is our polity well on the way to a break-up, with the citizenry at large only capable of playing their role as helpless bystanders?

Alarums such as above are not particularly related to the government's current obsession to get rid of the rule of law. There is of course such a phenomenon as the elasticity of expectations always at work. Once the authorities acquire the weaponry to enable it to reign through emergency measures, the milieu itself is transformed; irrespective of how things were initially, a situation of emergency may then well come about. But doomsday does not have to wait for this development. The government's behaviour is merely a symptom of its mind. This mind is already made up. Those in charge of the ship of state of India are a resolute lot, they have taken a pledge unto themselves, they will not deviate from the goal of hastening the collapse of the polity, and they do not particularly need a constitutional amendment.

On the floor of parliament, the union finance minister was replying to the debate on this year's budget. He has sweet manners; he however did not mince any words. First, he warned the states to contain their budgetary deficits and thus help the national economy. Second, he informed them that their demand for the imposition of a consignment tax to help them augment their resource position could not be conceded, since to do so would, according to him, stoke the fire of inflation. Third, the states were told that it was not necessary to grant their demand for the establishment of an Inter-State Council as provided under Article 263 of the constitution either; the National Development Council was already providing a platform to all the state chief ministers to discuss whatever centre-states relations they want to discuss.

Consider each of these issues. In 1985-86, the twenty-five states of India had an aggregate budgetary surplus of Rs 1,688 crore. In 1986-87, they had an overall deficit of Rs 945 crore. In 1987-88, according to budget estimates, this deficit fell, and was of the order of Rs 425 crore.

That is to say, over these three years, the states considered together did not incur any deficit, and actually had a surplus of nearly Rs 700 crore. In contrast, the union budget for 1985-86 had a deficit of Rs 6,565 crore. In 1986-87, this deficit had scaled up to Rs 8,285 crore. In 1987-88, the deficit, revised figures suggest, was of the order of Rs 7,484 crore. Add the figures for the three years; the cumulative deficit exceeds Rs 22,000 crore. For the current year too, the union budget promises a deficit of more than Rs 8,000 crore, while the states in any case would be unable to proceed beyond the limits of overdraft set by the Reserve Bank of India for them, which perhaps total up to Rs 500 crore, and the time limit for clearing the overdraft is just one week. Yet the union finance minister has the gumption to suggest that it is the states which must return to economic discipline.

Or consider the affair of the consignment tax. Following a specific recommendation of the Law Commission, the fortysixth amendment to the constitution was put into the statute, entitling the states to earn the receipts from a tax on consignment transfers. In terms of the amendment, the union will have the prerogative to enact a legislation under Article 269 so that the tax could be imposed, but the resulting revenue will go to the states. A unanimous recommendation made at a meeting attended by the state chief ministers and presided over by the then union finance minister in May 1984 requested the union government to pass the legislation with expedition. But nothing has happened since then. The union government wants the states to return to economic discipline. It would not however allow the states additional resources through a consignment tax; such a tax will hurt the traders, who are the flesh of the flesh of those in power in New Delhi. Such a tax, which could have provided the states with an extra kitty of at most Rs 1,000 crore, would be, the union finance minister declares, inflationary. He has not the least doubt that the deficit in the union budget, amounting to more than Rs 30,000 crore in the course of four years, will be staunchly non-inflationary.

Or take the plea of the states to have

an inter-State Council under Article 263 of the constitution. Why bother about Article 263, says the union finance minister; the National Development Council is a technical identity, it serves the same purpose as the Inter-State Council mentioned in that Article; therefore there is no carthly need for the latter. Suppose one turns the finance minister's argument on its head. If the National Development Council is the same thing as the Inter-State Council, nothing more and nothing less, why not rather have the Inter-State Coupcil and get rid of the NDC-after all, the Inter-State Council is referred to in the constitution, the National Development Council is not?

With such bizarre syllogisms forming the staple of official praxis, it will be hardly surprising if we head towards a national collapse. For two separate developments appear inevitable. First, the irrationality in financial practice the union government is making a habit of will pursue its own course. It has in effect been decided in the highest quarters that the states will be gradually divested of independent powers of revenue raising. All resources must flow from the centre; the latter will determine how much to give to the states and how much to give to which state. In other words, the decision has been reached to administer the country as if it were one integrated unit. The prime minister's ploy to bypass the state governments and enter into direct dialogue with the district magistrates is a pointer. A signal is being beamed towards the direction of the civil service; they are being encouraged to ignore the chief ministers. Since all power will repose with the centre, the entire bureaucracy too will have to abide by the centre's instructions.

But this is an irrational proposition. You cannot have increasingly greater social and political awareness, higher rates of literacy, a furious expansion of transport and communications, an explosion of the electronic media, and yet kill the urge of millions and millions of people strewn across this country's length and breadth to evolve according to their own genius and instincts. Centralised control is therefore likely to come a cropper. Centralised management will prove inefficient. Centralised decisions will make a hash of priorities. The net effect will be gigantic economic waste and widespread mass discontent. The discontent will assume diverse forms. In some parts of the country, it will manifest itself in in-. tensified class antagonism; in some other parts, in the emergence of regional groupings, or in the assertion of ethnic pride. The union government will have the combined might of the defence, police and para-military forces on its side; an increasingly larger portion of its budgetary outlay will go to augment the expenditure intended to keep these forces in a happy frame of mind. This will however imply that correspondingly less will be available for purposes of economic development. And whatever will be available will be illspent. Punjab has already proved the point. Armed might cannot take care of a mass malaise, but helps to aggravate it. If Khalistan has all of a sudden begun to look as less than an otiose proposition, it is altogether possible that the irrationality of what the union government is indulging in will enhance the prospect of similar breakaway movements rearing their heads elsewhere in the country.

There is also the other aspect of the matter. The irrationality of the current arrangements is likely to hasten a break-up. But the rationality of the human mind will do so with equal felicity. The kind of ludicrous statements the union finance minister made on the floor of parliament is not an aberration; such statements are being repeated day in and day out by others in authority. Such statements will come to jar the susceptibilities of rational individuals. These individuals are not political activists. They by and large belong to the category of otherwise noninvolved citizenry. They however listen to the news, watch the media, read journals and magazines. Sooner or later, they will sit up and take notice of the wild utterances of the rulers. The rationality of the human mind will get into the act. Many amongst the citizenry will be incensed by the insult to their intelligence; they will resent the assumption the rulers have ventured to make regarding the extent of their gullibility. Sooner or later, they will feel deep inside the need to do something about it. Their sympathies will go to the state governments. And please do not feign shock if in no time they constitute the solid core of support that will be necessary if the campaign for breaking up the polity is to reach a sustainable level.

One does not quite know what the implications are of the fifty-ninth amendment. But, till today, in case our constitution is taken at its face value, constituents of the nation have the prerogative of freedom of thought as well as of expression. Should there be a tightly argued proposition from some quarter that forty years are about enough, for whatever reason we have failed to manage the polity, the economy is in a shambles, we might as well therefore decide to part company with one another at least for some while, to respond to it with a show of outrage would be somewhat beside the point. It is a fact that, along with the polity, the economy too has been performing horrendously badly. The pretence of our having

11/1/10

maintained a rate of economic growth of above 4 per cent per annum during the Seventh Plan is pure hokum. Material production in both farm and industrial sectors is languishing, and there is nothing on the horizon which promises a turnaround. A restlessness is abroad. Violence is on the rise; with every day, it is tending to look more disorganised and therefore. more chaotic. The formalism of democracy remains, but the government, going by the evidence of its behaviour, has little faith in the democratic process. At the same time, opposition does not have the strength to force the government to return to constitutional norms. The future thus holds the promise of even more raucousness and more tension. Such tension will further erode the possibilities of growth and help to spread the area of actual insurrection, armed as well as unarmed, in different parts of the country. Punjab, in other words, will be generalised.

In this situation, it ought to be legitimate, a few honest ones could argue, to discuss alternative formulations which could still serve the constituents of the nation. If separateness could contribute to both tranquillity and a vastly improved rate of economic development, apart from providing the eight hundred million people of India with twenty-five and odd extra votes for the United Nations, why, the preambles and premises of such a surrogate model deserve to be examined with some care. Or so it will be suggested. Maybe this is a suggestion of our despair. The sense of despair is however an objective still be supposed.

tive fact. It is equally an objective fact that a considerable number of people are coming round to the conclusion that, with the present format, we are incapable of ever doing better.

The basic problem nonetheless remains, the problem of belling the cat. The polity may collapse on account of happenings every day here, there, everywhere, and the authorities may be increasingly unable to cope. But this will be a gory process, a process which may even stretch beyond ten, twenty, thirty years. At the end of this process, a viable structure may once more re-emerge, but the cost meanwhile could be very high indeed. Perhaps there is scope for a peaceful transition to a milieu where several small-sized states come to their own, and a loose kind of federal or confederal arrangement binds them together. This alternative format may click, and restore order and induce a high rate of economic growth. Is there any means though by which those in authority could be persuaded that, in case the national interest has the highest priority in their calculations, they should at least examine the content of suggestions of this nature. Or if that is unpalatable, at least agree to administer India as a proper federal entity ought to be administered with adequate consideration and respect shown to the constituent states? Suppose the union government does not agree to any of these things and sticks to where it is. How do we proceed then? Do we welcome with both hands the great interminable carnival of collective blood-letting?

#### **NUCLEAR NOTEBOOK**

# Confidence Building Not the Answer

Achin Vanaik

The basic thrust of the Carnegie Task Force report against nuclearisation of the subcontinent deserves support and endorsement as a valid conclusion and principled political perspective in its own right.

WHEN some of the essential findings of the Carnegie Task Force report on Nuclear Weapons and South Asian Security were released to the press to no one's surprise it received very little publicity in this country. There was no organised 'conspiracy of silence'. But so strong is the consensus in favour of India going nuclear or keeping the option open, and so pervasive the belief that institutions like the Carnegie Endowment for International Peace, indeed almost any American research institution, essentially reflect the official US

government view, that such reports are invariably dismissed as biased, motivated and selective in their arguments. Such a view is not always without merit or justification—American foreign policy is seldom subjected to the kind of rigorous criticism it should receive from many US research institutions. This is a country, after all, where the political and intellectual distance between the two main parties of government (the intellectual mainstream, if you like) is much shorter and narrower than in most European countries.

However, neither the members of the Task Force nor its arguments should be dismissed so cavalierly. Its arguments have to be evaluated at the level of plausibility and logic, for the dismissal of all foreign criticism by the Indian bomb lobby is also motivated, and one has to say this, often quite dishonest in its representation and criticism of opposing views. If the Task Force is made up of some people who are very close to the American government, it also comprises people like Selig Harrison, Francine Frankel, Lloyd Rudolph who have written on India with sympathy, objectivity and critical intelligence. Moreover, the basic thrust of the report against nuclearisation of the subcontinent deserves support and endorsement as a valid conclusion and principled political perspective in its own right. The Task Force report has tried to go further, to break out of the impasse or 'fruitless' dichotomy represented by those who want India to go in for the bomb and those who want the government to commit itself to permanent de-nuclearisation of the region.

The report has in effect put forward a series of transitional proposals and perspectives which while leaving the nuclear option open for both India and Pakistan, would nevertheless go some way to raising the threshold against regional proliferation as well as hopefully institutionalising a process of limited co-operation between the two countries in respect of their nuclear facilities and abilities. The model for this exercise is, to some extent, Brazil and Argentina. Again, this is a reasonable and noteworthy aim which needs to be looked at more carefully.

The report says "The key is to attempt to freeze the nuclear status quo, thereby putting an end to the process of action and reaction that is propelling India and Pakistan toward nuclear arming while at the same time seeking to address the underlying security concerns that have made this policy attractive".

Its concrete proposals fall under three headings—to promote (a) restraint for at least a year if not more, (b) active Indo-Pakistani negotiations on confidence-building, (c) diplomacy by other nuclear weapons powers, e.g., US, USSR, China, France and UK to push the two regional rivals to negotiate.

The report, however, is flawed in certain important respects. Selig Harrison in a separate personal note is the only member to point out (correctly) that the report repeats a regular failing of foreign, observers who, when discussing the subcontinent's future fail to "make crystal clear that they are prepared to address equally specific and urgent recommendations to the superpowers relating to their own nuclear posture". It is only in Har-

rison's brief note that there is the suggestion that the US must establish its bonafides by de-nuclearising Diego Garcia for example. Why is this point missing from the report itself? In fact the view put forward that the US for all its failings (it could have done more to put pressure on Pakistan which has violated the Symington and Solarz amendments) has on balance been a positive factor in curtailing the momentum towards nuclearisation on the subcontinent, is to put it politely, disputable. Nor are there going to be many takers for the view that other nuclear powers should take the initiative to collectively put pressure on India and Pakistan to negotiate a nuclear freeze or some other de-nuclearisation proposal. The report daniages its own credibility by advocating this, as distinct from bilateral pressures (which would be all to the good) exerted by the US on Pakistan and the USSR on India.

The fact that the US and USSR have signed an INF treaty has not led to a fundamental reassessment of American bona fides and commitment to de-nuclearisation. For one thing, the INF agreement is correctly seen as primarily Gorbachev's doing. A further agreement to reduce superpower arsenals by 50 per cent each would, however, substantially raise American credibility and give a different complexion to any initiative the US and/ or USSR took with regard to the south Asian nuclear scene. However, the question of de-nuclearising the Indian Ocean and Diego Garcia would remain something of a crucial litmus test of superpower, particularly American intentions and reputation.

The tendency of the report to take US bona fides at face value has its counterpart at another level—to accept without sufficient scepticism, Indian protestations about the impulses towards regional nuclearisation. Thus the fundamental premise of the report is that the key factor behind the growing nuclear momentum is the India-Pakistan axis and national security fears vis-a-vis each other. As far as the nuclear question is concerned this is obviously true for Pakistan but it is not so obviously or necessarily true in the case of India.

Things are more subtle and complex from New Delhi's perspective. Certainly there is an 'action-reaction' relationship between the two countries which feeds into the regional nuclear dynamic. Thus any action by Pakistan, e.g., a test, deemed an 'intolerable provocation' by India would trigger a decisive response by New Delhi which then effectively inaugurates an open regional nuclear arms race. The 'nuclear ambiguity' that currently exists is a dangerously unstable posture and every

effort must be made to move away from it.

But at a deeper, more fundamental level, it is not India's nuclear security concerns regarding Pakistan that determine its nuclear posture or programme for the future. If it really was deeply perturbed by the security implications of a Pakistan bomb it would have committed itself more sincerely to at least an exploration of the possibilities for de-nuclearising the region, which is something it has adamantly refused to do. What is surprising then is that the Task Force report should be surprised about this adamancy-'on balance, New Delhi's unwillingness to enter into nuclear talks with Islamabad is surprising, inasmuch as it appears that such negotiations may well be the only means by which India can avert the emergence of a nuclear-armed rival on its western border".

In short, there is a fundamental inconsistency or hypocrisy in the Indian nuclear posture. New Delhi and the bomb lobby find it convenient to highlight the 'Pakistan danger' and its national security concerns (this technique is all the more effective because the fears are partly valid) as an explanation for maintaining its nuclear option or eventually exercising it. But, whenever it suits this lobby and the government spokesmen they will rope in the 'China threat' as an explanation for its 'wider' security concerns compared to those of Pakistan.

But India has lived for so long with the China bomb, and it is some 20 years if not more behind China in nuclear weapons technologies, that again it is difficult to believe that India is so desperately perturbed by this 'threat' and that it is this that motivates or directs its nuclear posture. It is far more plausible to believe that though national security concerns about Pakistan, China and other nuclear powers are part of the complex of reasons behind keeping the option open, the major burden of explanation must rest on something else-the fact that India as an emerging regional power of pre-eminence, and ambitious and aware enough in the long run to want to play a global role of sorts even, has yet to establish what part nuclear weapons production and deployment can play in this larger scheme of things. It is not necessary to impute Machiavellian planning to the government. It is enough to recognise that key Indian decision-makers do not perceive Pakistan as a danger in the long run, that they would bridle at any idea that the two countries with such differing capacities and future potential should be 'equated' when it comes to national security planning and perspectives, especially in the long if not medium term, and that India must operate accordingly in keeping with

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its wider ambitions and greater potential. The government also has an understanding of the disadvantages of going nuclear. There are also differences within the government. Both are restraining factors. But the least common denominator then, regarding the nuclear question becomes 'keeping the option alive'—a posture facilitated by the bureaucratic-government inertia which so very often baulks at taking 'momentous' decisions in either direction, for or against on a particular issue.

The problem with the Task Force approach then is that its proposals for freezing the nuclear status quo and for confidence building measures are based on a premise which is, in this writer's view, seriously flawed.

It is one thing for India to agree with Pakistan not to bomb each other's installations, it is altogether another to expect that India might positively respond to such measures as exchanging scientific visits to each other's nuclear facilities, to a regional nuclear test ban, to fixed duration, reciprocal nuclear inspections, or to parallel and temporary shut downs of sensitive nuclear weapons material production facilities. These are all reasonable and welcome proposals but they presume that the main thing is to tackle head on the security fears of India vis-a-vis Pakistan and build confidence slowly. This is not the central reason for India wanting to keep the option open and government will not even deign to consider such proposals.

What it means is that the value of these proposals lie not so much in their feasibility or realism but in their ability to expose the Indian government for its failure to consider measures which while falling short of renouncing the nuclear option would still represent positive steps. But the Carnegie Task Force report cannot by its nature and its American 'stamp' be such an agent of exposure. Not that the report sees these proposals as mechanisms of exposure. Furthermore, certain other proposals are dangerous because they seek to establish a link between nuclear and nonnuclear issues which should, in fact, be avoided and is a favourite technique of sections of the Indian bomb lobby. They also propose certain (non-nuclear) 'confidence building' measures as a way of testing Pakistani bona fides, diverting attention away from the nuclear question, and having an excuse to decry Pakistani intransigence should they fail to go along the proposals. Thus if Pakistani businessmen are opposed to expanding economic ties in certain ways and put pressure on Islamabad to avoid or go slow on opentrade proposals this becomes an effective handle for the Indian bomb lobby to berate Islamabad with. Such proposals as a joint military commission to discuss limits on peace-time deployments of conventional forces or on how to prevent infiltration of Sikh militants from Pakistan are fine but must be separated as far as possible from the nuclear issue. Pakistan may have its own (quite unworthy and cynical) reasons for 'playing politics', visa-vis India (India does the same with respect to Pakistan) but this should not be allowed to detract from the fact that it is India much more than Pakistan which is the culpable one, regarding the failure to move towards regional de-nuclearisation. Lest one is again accused of being pro-Pakistani, it should be asserted that Pakistani willingness to promote mutual nuclear abstinence between itself and India is based on calculated selfinterest and not altruism or any special commitment to nuclear peace. Its national security interests are seen to be served by such an approach, India's is not seen to be, hence the fundamental dichotomy in their attitudes to regional disarmament measures.

This report was written before the Soviets declared their commitment to unilaterally withdraw from Afghanistan. Contrary to expectations that were raised in the report, this will not significantly alter the tense scenario regarding the nuclear question in the subcontinent. One important reason for this is that the US will continue to maintain its strategic alliance with Pakistan for reasons related to west Asia. If the members of the Task Force are to move in the direction of achieving greater credibility among a south Asian audience then it would be expected that they issue a call, collectively signed, that the US stop supplying arms on the scale it has and make sure that the various amendments-Symington, Solarz, etc-are scrupulously obeyed by the American government.

Rodney Jones in his separate statement has a point when he says the report is 'soft' on India. He is not convincing when he says it is too hard on Pakistan and certainly he and the others comprising the Task Force are too soft on the US. But after the Soviet withdrawal from Afghanistan there will be even less justification than before for being soft on the US. The problem with the Task Force, comprising as it does certain people who are and are likely to remain strongly identified with the foreign policy and world view that emanates from the state department, the national security council or the White House whether occupied by a Republican or a Democrat, is that there is no way it can do this as a collective.

What then is the value of this report? First, it provides a cogent, balanced and persuasive case against the idea that going nuclear will enhance the national security of India and Pakistan either with respect to each other or towards other nuclear powers. This is a very important contribu-

tion. At the level of argument, the weaknesses and fallacies of the case put forward by the bomb lobbies of both countries or by the 'nuclear ambiguists' should
be exposed and attacked vigorously. Second, the report does put forward some
transitional demands of real merit having
important exposure value if put forward
by bodies enjoying greater credibility in
the region, and with a perspective of
mobilising public opinion rather than
seeking to persuade decision-makers to do
the 'right thing'.

Finally, a brief comment on Selig Harrison's endorsement in his personal statement, of a Jasjit Singh proposal for a 'South Asian Zero Option' which was presented in The Hindu on August 25, 1987. Jasjit Singh is currently head of the Institute of Defence Studies and Analysis (IDSA). His proposals must be seen in the larger context of his writings and speeches and their general thrust and the role that the IDSA today plays in the country on the nuclear issue. Singh is for the bomb, he is not even a believer in 'ambiguity'. But the sophisticated exponents of the bomb lobby in order to establish their peace and disarmament credentials regarding regional de-nuclearisation, invariably put forward proposals which carefully link up subcontinental disarmament with the partial disarmament of at least China, if not the other nuclear powers. This is done in the full awareness that neither China nor the other powers will agree to such a linkage and, therefore, the whole matter will be still-born. The trick is to make the proposal as 'reasonable' sounding as possible but to maintain that vital linkage.

The 'South Asian Zero Option' proposal is just the latest in this category of proposals which has by now a long pedigree, contributed to in no small degree by researchers of the IDSA, past and present. This proposal crucially brings in the Chinese missiles in Tibet which can technically reach India but are obviously targeted on the eastern seaboard of USSR. The Chinese response to any suggestion that it tailor its nuclear responses to the USSR to suit Indian perceptions and fears (that Beijing would have no hesitation in characterising as baseless) can be easily imagined by both those Indians who oppose and support the nuclearisation of the subcontinent. Moreover, the attempt to bring in the de-nuclearisation of the Indian Ocean as a precondition for denuclearising the subcontinental land-mass and its navies must also be resisted. In its place the idea of the de-nuclearisation of the Indian Ocean or of a naval disengagement/de-nuclearised zone for a large expanse of sea, a stated distance from the peninsular border should be put forward as important complements to the struggle to de-neclearise the subcontinent.

## Government's Privatisation Plans Come into Open

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The government would appear to have successfully broken the strike by the workers of the Delhi Transport Corporation. The way it dealt with the strike is a signal that the government has decided on the privatisation of commercial and industrial activity in the public sector on a broad front and curtailment of the role of public enterprise. A logical concomitant is a determined drive to discipline workers and enhance the returns to private capital at the cost of labour.

IT is a standard practice on the part of the government leaders, among them the prime minister himself, to affirm from time to time faith in and commitment to public enterprise. They also stoutly deny any intention to go for anything like the privatisation of public sector enterprises. All that they intend, it is averred, is improvement in the functioning and performance of public sector industrial and commercial undertakings in order to achieve the laudable objective of making them viable and derive profit from the investment locked in them. Even such proposals as the outright closing down of loss-making public sector production units, dilution of the shareholding of the government in the equity of others and promotion of what are called joint ventures with big business houses with management vested in the hands of the private parties in areas of assured and high profitability such as oil refineries are justified on grounds of efficiency and are not admitted as privatisation moves.

When, therefore, trade unions organised early last year a strike of workers in public sector undertakings to protest against the philosophy and policy of the privatisation of public enterprise, It was denounced as a politically motivated action. When again this year, another strike action was organised and it coincided with the Bharat Bandh organised by opposition political parties, this was held in the ruling party circles as a confirmation of the anti-Rajiv Gandhi political inspiration of those who had organised the strike. There, was, however, a significant difference in the reaction of the ruling establishment towards the two strikes. If the strike last year was allowed peacefully to pass off with verbal criticism only, stronger disciplinary action against the strike has been taken this year. This has been so not entirely because, as has been claimed, the government has regained confidence and capacity to take strong action to meet all

contingencies. It has also been because, meanwhile, the government's plan for privatisation of public sector has significantly advanced. In between the two strikes has come the decision to hand over Scooters India to the Bajaj business house on most favourable terms, which include the stipulation that the Bajaj management will be free to retrench more than half the workers in the scooter plant. The privatisation philosophy of the government and its practice has now come right into the open. This has found most graphic confirmation in the case of the Delhi Transport Corporation.

The strike by the workers of the Delhi Transport Corporation would appear to have been successfully broken by the government. What is ominous in this context, however, are not only the strong-arm methods used to break the strike-the dismissal of thousands of workers suspected to be activists in the strike and brutal police repression unleashed on the mass of the workers. The way it has dealt with the strike has indeed been a signal that the government has decided to make an issue of the privatisation of commercial and industrial activity in the public sector on a broad front and curtail the role of public enterprise. Its logical concomitant has to be a determined drive to discipline labour and enhance returns for capital, especially in the private sector, at the cost of reward for labour.

A sinister dimension to this drive in the case of DTC has been the widely suspected hand of the ruling party's minions in the trade union arena in provoking the DTC workers to strike and then leaving them in the lurch. The ruling establishment, on its part, pounced upon the strike as an opportunity to overcome the resistance of the workers to the implementation of its plan, prepared well in advance and proclaimed by the union minister of transport, for the partial privatisation of the Delhi local transport system. What has

thus really come right into the open in the wake of the DTC strike is that the government is now poised for the launching of its schemes for the privatisation of the public sector. The earlier hesitation and ambivalence on this score, it appears, have now been given up. The announcement for the handing over of the Scooters India in the public sector to the Bajajs too falls in place in this scheme of things. The workers in the scooters plant have been forewarned by the government's handling of the DTC strike that the full might of the government's repressive machinery will be placed at the service of the Bajajs to carry out their retrenchment plan.

The ground is thus being prepared not only for massive retrenchment of the workers as part of privatisation of public sector undertakings. What is also in the offing is the denial, openly, cynically and defiantly, of the right of workers to fair wages and fair compensation for the rise in the cost of living. The stike in the DTC was directly linked to the non-application, in violation of past conventions and agreements, of the Fourth Pay Commission's norms to wage-fixation for DTC workers. The government has not hesitated to give special incentives and rewards to private bus operators who have been inducted into the Delhi local transport system and at the same time used force to deny fair wages to DTC workers engaged in what are called an essential service—wages which the government has granted with alacrity to its vast bureaucratic-administrative machine. A sensitive government would give priority to improvements in the wages and working conditions of workers in the essential services rather than of its clerical staff. But the priorities of the ruling establishment are tending at present to be very skewed.

Privatisation of the socio-economic development process is thus tending to become a key issue. Privatisation of public sector units, though it is sought to be halfheartedly denied from time to time, now stands out as a stark fact and the denials can no longer carry conviction or credibility. Withdrawal of budgetary support for public enterprises, enforcement of management policies and practices based on business norms in the private sector on public sector undertakings and opening up for private enterprises, Indian and foreign, of areas reserved in the 1956 Industrial Policy Resolution for public enterprise add up to a policy of privatisation which has been unfolding for the last three years. The process has now reached a stage of direct transfer of assets in the public sector to private hands.

The privatisation move, the golden

handshake schemes and the holding up of collective bargaining on wage claims in the public sector are naturally queering the pitch on the industrial relations front in the public sector. There is naturally turmoil on this front in the wake of the government's provocative moves. If the government is counting on its politicalpenal powers to deal with the industrial actions of the workers it is going to make matters worse. The complacency arising from the relatively peaceful state of industrial relations in recent years, when more mandays in work places have been lost due to lock-outs by employers than strikes of workers, will be misplaced in this context. The capacity of the organised workers for action cannot be wished away by those in high places. They will have to reckon with the workers' response as attacks on workers' rights to fair wage and job security gather strength as part of the privatisation policy of the government.

It is on the cards, therefore, that industrial action by organised workers may assume a wider focus than the sectional demands of workers. The massive strikes by workers in public sector industrial and commercial enterprises early last year and again this year have placed the issue of privatisation high on the agenda of workers' protests. This has serious implications. There has been for a long time a tendency in the trade union movement in the country to take a narrow view of workers' interests and aspirations. Workers' agitations and industrial actions have tended to be limited to specific sectional demands. This 'economism' has tended to weaken the status and standing as well as the role of workers in society and in the broad processes of socioeconomic development. By its recent strike actions the trade union movement would appear to have boldly moved out of the narrow confines of economism to reassert the rightful place of the working class as an organised and aware force in society with a stake in the processes of socioeconomic development and their ideological-political content. The organised working class is striving to intervene in policy issues and articulate its aspirations and demands in a situation of fluid political alignments. This is a development which the ruling establishment as well as its political adversaries must reckon with.

In the context of the growing turbulence on the industrial relations front, the question of wage revision is also going to assume importance. The most pressing demand of the strike of the workers in public sector undertakings this year has been wage revision through meaningful collective bargaining. The managements of public sector undertakings, left to themselves, would be more than willing to meet this demand and arrive at reasonable wage

agreements through negotiations with workers, as they did during 1977-79. But under the strict directives of the government, the wage revision negotiations have been stalled. Government policy is to enforce the inflexible and rather mindlessly uniform wage and other norms for workers drawn up by the department of public undertakings. The official policy on wage revision negotiations itself, therefore, gave an added thrust to the three-day strike of workers, both blue-collar and white-collar, in public sector undertakings.

Experience shows that the general economic and political environment greatly influences industrial relations. It would appear that the environment is tending to become such as to aggravate tension rather than bring about harmony in industrial relations. The ominous aspect of the evolving situation is that while the working people have been willing to wait for the satisfaction of their claims after the last general elections, which gave a record majority to the ruling establishment, the government and the employers have tended to be more and more indifferent to the aspirations of the workers and have been concerned primarily with making demands on labour for discipline and higher production and productivity without adequate reward. This is underlined by the repeated attempts to bring legislation to curb collective bargaining and the calls for industrial harmony extending even to demands for the abolition of the fundamental right of worker to strike.

That bitterness has already entered industrial relations is clear from the fact that collective bargaining is at a discount with the employers even as industrial relations conflicts are leading to work stoppages either by way of strikes or lock-outs. But the government seems determined to make it plain to the workers and their trade unions that no demands for wage revision and improvement in work conditions are to be countenanced. As part of this stance is the additional stipulation that the affiliate of the ruling party in the trade union field, the INTUC, is to be promoted as the only acceptable and recognised trade union and all other trade unions have to be pushed to the wall. The implications of this stance of the government have not been lost on the genuine trade union government in the country in which the INTUC can obviously have no place because of its direct affiliation with the ruling party and its government.

## Lessons from a Mass Movement in Bihar

Arun Sinha

The experience of the Party Unity group of Naxalites and the MKSS in Bihar holds some lessons for the relationship between the party and the mass movement.

THE Naxalites, when they began, looked ahead and far, brimming with optimism. Few of them had then realised they were riding the 'sentiment horse', a wild breed nationwide. Charu Mazumdar's war proved to be a costly war. They had but to stop and look back and re-think. As this went on, the formation melted; newer and newer tents were in sight all over. Most of them vowed not to go to war without the peasant masses.

They turned towards the masses. Mass movement—that was the new thrust. What did it mean, mass movement? They believed that various classes of the Indian peasantry were facing innumerable problems in everyday life: Low wages, bondage, appropriation by the few of the community and state functionaries, discriminatory schooling and denial of franchise; problems that would or would not pass the litmus test of class struggle. If the naxalites took up these issues, the masses would feel drawn towards them and the organisation would grow, from one village

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to another, from one area to another, instead of shrinking as it did when they focused just on armed action.

The task was anything but easy. Who was going to guide and lead the mass movements? The Naxalite groups themsleves stayed completely underground. Most of their own mass leaders had fallen in the counter-revolutionary assault. Very few contacts survived with the peasant masses, and even they were branded, cautious, very local and small or lacking in the tremendous qualities the task called for. There was no way but to look for individuals from outside. Here began the experiment of working with people from outside the faith and from outside the faith within the faith. It could be risky but it also had potential. As any good strategist would have done, the groups took care to set up mass organisations openly. but it was necessary to hold the reins, because you could not be sure how the 'non-party' individuals were going to behave. When the Vinod Mishra group . . . . .

formed the Indian People's Front (IPF), and the Party Unity group, the Mazdoor Kisan Sangram Samiti (MKSS), they chose to place some party cadres on the main committees of these mass organisations. It was through these cadres, working incognito, that the underground leadership was going to carry out its policies. Very clearly, it was going to be one hell of a task controlling members coming from all sorts of political backgrounds, a few communists, the majority not. One way was the straight way: the 'non-party' members would have to work on the underground group's terms: if not, goodbye. Those at the founding conference of the IPF in Patna, who observed that they were being asked merely to sign a resolution prepared in advance, walked out; and none from the dais cared to look. Several other 'non-party' individuals sat through, however, to pass the resolution and later become IPF members.

The beginnings of the MKSS, unlike the IPFs were not wholly group-inspired. Neither were the 'non-party' elements as diverse here as within the IPF. Yet the composition of the main committee came to be similar to the IPF's, with 'party' cadres placed alongside the 'non-party' members; they were going to play the same executive role for the Party Unity group as the 'party' cadres of the Mishra group within the IPF. Tensions were bound to arise in such a composition. The 'non-party' members outnumbered the 'party' cadres within the mass organisation. Differences over formulation of tasks, tactics and perceptions of the local and national political situation surfaced and re-surfaced.

How such an experiment could fare is now at least partly understood from the MKSS experience. The MKSS has split as a result of the tensions between the 'party' and 'non-party' segments. Between the two, the tensions had been there for two years or more. Vinayan, the central mass figure of the MKSS, had perhaps always been ill at ease with the leading local cadres of the underground group. But the conditions in the central Bihar areas where the MKSS had built up wide support demanded an armed backing and that was coming from the group. On their part, the group wanted to gain mass backing. So they carried on together for a few years. The media or the masses never knew of the internal strain. Due to the policelandlord assault, the situation, however, became very explosive in the area and Vinayan had to go into hiding. He could not visit the area for about two years. Vinayan, beginning from the JP movement of 1974, had turned into a left-ofthe-CPI(M) Marxist. Yet he remained the mass leader that he was: his attitudes and personality constantly beckoned him

toward open and democratic political activity. He could never reconcile himself to working with 'party' cadres who believed in doing their job incognito. He perpetually wondered why a 'party' should remain secret and faceless.

An immediate lesson that an underground group could draw from the MKSS experience was: Never admit very tall figures in the mass organisation. They would, instead of getting educated in the group's ideological line, start ramming down their own separate line. But the issues involved were far deeper. For instance, the defining of the role of the mass organisation itself. The Party Unity believed that the mass organisation be under the control of the 'party', because the 'party' was the "vanguard of the proletariat" working for seizure of power. The aim, said the group, was to "establish the party line in the peasant movement" ('Proletarian Leadership over the Peasant Movement', Party Unity, Vol V, No I, October 1987). In contrast, the 'non-party' mass leaders were most likely to assert, as Vinayan did, that the mass organisation was autonomous and no other body should interfere with its decision-making. He argued that the mass organisation knew the overall conditions, the local specificities and the balance of forces in the concerned areas much more closely and deeply than the 'party'.

What people saw as a clash between the 'party' and 'non-party' menibers of the MKSS committee was actually a contradiction in perspectives. To the group, the supreme aim was the growth of the 'party'. The mass organisations were to provide it recruits for the 'party' and for the Lal Fauz, the Red Army, as well as the supporting peasant blocks. As the mass organisation grew, more and more members, soldiers and peasants would come over. There was, therefore, no apparent contradiction between the growth of the 'party' and the growth of the mass organisation, rather there was a unity. But the 'non-party' mass leaders saw one. If the overriding interest, they said, was the growth of the 'party', the growth of the mass organisation became a secondary interest. The 'party' 'used' the mass organisation to grow and, as a consequence, the latter stopped growing. This was not because there was a brain drain from the mass organisation to the 'party'. The question involved here was of an independent aim pursued independently; of the party deciding how to run a mass organisation in its best interest. With this, the 'non-party' mass leaders felt, the mass organisation lost its freedom of thinking and action and, ultimately, its will to grow. From the MKSS experience this was then the second lesson: The party's independence and the mass organisation's auto-

nomy must be clearly defined and delicately balanced.

Since the group was an armed organisation, the autonomy question bacame still more complicated. The 'non-party' people were not all believers in armed means. In fact, a mass organisation was very likely to gather up also some who would be totally opposed to the use of arms. Granted that only those would agree to stay on in the organisation who were not orthodox Gandhians, the matter still remained unresolved. Because the armed wing was of the 'party', not of the mass organisation. This wing existed in the shape of armed squads, small formations that were going to make up the Lal Fauz at some appropriate time in future. The squads worked under the instructions of the 'party' and incognito. Clearly, if the party after its own assessment considered it necessary, it could direct a squad to carry out an armed action. It would be a totally independent decision of the 'party'. The committee or the 'non-party' leaders of the mass organisation did not have to be told. Because certain such actions took place without their knowledge, the 'non-party' mass leaders were baffled. Their assessment of the specific situation in those cases did not call for armed action. In the concerned areas they had been building the struggle, stage by stage, and the unwarranted armed action had broken it up. The police would only catch the local activists of the mass organisation, for they did not have a clue as to who had actually undertaken the armed action.

In principle, the Party Unity accepted that there was "necessity of consultation with non-party leaders of the mass organisation on the co-ordination of armed activities with the mass struggle". But 'consultation' was a tricky issue. The 'party' would not be inclined to make consultations before taking every single action. Who knew the 'non-party' leaders would reject every single of the action plans? In practice, this would mean vetoing of 'party' decisions, a curtailment of the independence of the 'party'. So, declared Party Unity, the "independence and independent armed activity of the party" were not negotiable, whatever the cost for the mass organisation.

It could be possible that behind the 'consultation' row, there was a clash of certain basic conceptions of revolutionary strategy. If the 'non-party' leaders would veto or condemn armed actions that could also mean that they were opposed to the very use of armed means, fundamentally. "Under the cover of the argument that armed activities curb the initiative of the masses, some of the non-party mass leaders seek to negate armed activities altogether," said the Party Unity. Perhaps it was true that the 'non-party' leaders of

the MKSS like Vinayan did not have unqualified faith in the line that armed activity roused the latent initiative among the masses. "I do not believe in the concept of base area either," said Vinayan in an interview. "It was perhaps true of warlord China. In India today there is a centralised authority and a unified army." Yet it could be wrong to say that the 'nonparty' leaders were religiously wedded to non-violence. What they were saying was that the decision of 'punitive action' be taken at the mass level-in the jana adalat, people's council, convened to consider the issue. And, they argued, the 'punitive action' could not necessarily mean elimination of the enemies physically; the degree of punishment ought to be directly proportional to the nature of the reactionary crime. "Otherwise we get best known as nothing but muri katwa or head choppers," said Vinayan. The third lesson: the need for co-ordination between the 'party' and the 'non-party' men on the role and activity of the armed wing.

Differences also became sharp on the tactic of fund-raising. In this too the armed squads were involved, since the local affluent elements needed to be 'pressured' to provide funds. There was nothing wrong in principle here; a group or mass organisation composed largely of the penniless would require money to meet the financial costs of the struggle and would be able to collect the money from the local affluent elements. But in practice certain dangers were involved. Cases of excessive pressure—like kidnapping of a member of some affluent family for ransom-could take place. Sometimes, undisciplined elements of the armed squads could use the mass organisation's name for private collection. Such activities, carried on without the participation, consent or knowledge of the 'non-party' leaders, also sharpened the differences.

## Inter-State Differences in Cost of Living

An attempt, using the consumer Price Index for Industrial Workers, to view changes in cost of living in different states.

INFLATION is officially measured in terms of the changes in the wholesale price index compiled by the economic adviser, ministry of industry. This index however does not depict the true cost of living or the level of retail prices. For this purpose what is appropriate is the consumer price index. It measures price trends in terms of a basket of goods and services that absorb a high proportion of household expenditure. The consumer price index is designed to measure price changes in respect of the average wage-earner urban (industrial) household. Because of

this it may not reflect price variations in respect of products bought by either very high or very low income groups or price changes in rural areas. Thus this index cannot be wholly relied upon to gauge the cost of living in the country. Nonetheless the consumer price index for industrial workers could be regarded as an effective measure of price movements affecting the cost of living of the general masses. Changes in it determine the pay packets of workers in the organised sectors.

The consumer price index is a weighted average of the index of 50 centres spread

all over the country. The basis for construction of this index is a family survey conducted in 1958-59. The 50 centres were distributed among the three main sectors, viz, factory, mines and plantations roughly in proportion to the total employment. It was further divided to cover 32 factory centres, 10 plantation centres and 8 mining centres.

Factory centres were alloted to different cities in proportion to total factory employment in each state. Care is taken to see that no major state went unrepresented. Mining and plantation centres were also similarly allocated to states, keeping in view proper representation of different types of minerals and plantation crops. Having decided this, the state governments were requested to name the specific centres in the light of their importance from the point of view of total employment. The family budget survey covered 23,400 families. The family budget or expenditure pattern of families formed the basis for the weighing diagram. Items accounting for a significant proportion of expenditure as revealed by the survey are included in the computation of the index of centres. The weight of a given item reflects the average expenditure incurred by a family on this item in relation to total expenditure on all items. Here an attempt is made to compile the indices state-wise and review the trends over a period of time. Just as the all-India index is a composite index of 50 centres, the state-wise index is represented here as a composite index of the centres which are situated in a particular state. Thus, for example, the index of Bombay, Sholapur and Nagpur included in the all-India index form the index for Maharashtra and the total weight of the three centres is assigned as the weight of Maharashtra and so on.

The data compiled on this basis are

TABLE 1: CONSUMER PRICE INDEX (INDUSTRIAL WORKERS) (1960 = 100), STATE-WISE (Calendar Year Averages)

	<del></del>	<del></del>	<del></del>							
	Weight	1970	1980	1981	1982	1983	1984	1985	1986	1987
All India	100.00	184	390	441	475	532	576	608	661	719.
West Bengal	16.74	181	373	406	439	488	537	572	627	667
Maharashtra	16.20	182	390	456	497	550	598	634	688	747
Tamil Nadu	9.59	171	395	453	480	563	608	639	687	746
Bihar	8.43	· 191	388	432	476	530	542	569	625	676
Gujarai	8.39	180	383	434	479	536	570	611	676	740
Assam	7.07	178	364	384	413	462	516	535	558	615
Karnataka	6.89	183	408	480	507	563	620	645	701	757
Uttar Pradesh	6.13	192	410	455	493	549	587	629	684	742
Kerala	5.98	196	383	453	474	554	619	629	686	753
Madhya Pradesh	4.34	186	394	446	494	544	595	634	705	762
Andhra Pradesh	3.99	188	401	462	490	532	588	617	676	739
Rajasthan	1.57	186	414	472	503	539	574	622	665	735
New Delhi	1.44	195	416	462	500	540	586	632	695 `	763
Punjab	1.28	191	408	456	484	526	- 568	609	646	736
Haryana	1.15	193	420	470	505	543	572	610	654	726
Orissa	0.63	187	386	422	478	544	557	598	628	682
Jammu and Kashmir	0.18	171	397	460	- 511	560	627	650	724	794

TABLE 2: MOVEMENTS IN CONSUMER PRICE INDEX (INDUSTRIAL WORKERS) (1960=100) (Compound Annual Growth Rate)

	Weight	1960- 87	1960- 70	1970- 80
All India	100.00		6.3 (100.0)	7.8 (100.0)
Jammu and			<b>,</b> ==•,	
Kashmir	0.18	8 0 (0.2)	5 6 (0.2)	<b>8</b> 8 (0.2)
Kerala	5 98	7.8	70	69
	-	(6.3)	(6 8)	(5 4)
Madhya Pradesh	4 34	78	64	78
•		(4 6)	(4 4)	(44)
Gujarat	8 39	77	61	79
Oujuner	0 37	(87)		(83)
Maharashtra	16 20	77	62	79
		(16 1)		
Tamil Nadu	9 59	77	5.5	87
		(100)	(81)	(104)
Karnataka	6 89	78	62	83
		(7 3)	(68)	(75)
Andhra Pradesh	3 99	77	65	79
		(41)	(42)	(41)
Uttar Pradesh	6 13	77	67	79
		(6 4)	(6 7)	(6 5)
Punjab	1 28	77	67	79
			(14)	
West Bengal	16 74		61	7 5
		(15 3)	(161)	(15 6)
Rajasthan	1 57	77	64	83
		(16)	(16)	(t 7)
Огізѕа	0 63	74	65	7 5
		(0 6)	(0 7)	(0 6)
Bihar	8 43	73	67	7 3
		(7 8)	(91)	(1 8)
Haryana	1 15	76	68	81
		(12)	(1 3)	(1 3)
Assam	7 07	70	59	74
D. C.		(5 9)	(66)	(6 4)
Delhi	1 44	78	69	79
		(15)	(1 6)	(16)

Note Figures in parentheses represent respective weighted contribution to the general price movements

TABLE 3 COMPARED GROWTH RATTS AND WEIGHTED CONTRIBUTION (1980-87)

	Growth Rate	Weighted Contri- bution
All India	9.1	100 0
Jammu and Kashmir	104	0.2
Kerala	10.1	6.7
Madhya Pradesh	99	49
Gujarat	99	9.1
Maharashtra	9.7	17.6
Tamil Nadu	9.5	10.2
Karnataka	9.2	7.3
Andhra Pradesh	9.1	4.1
Delhi	9.1	1.5
Uttar Pradesh	8.8	6.2
Punjab	8.8	1.3
West Bengal	8.7	15.0
Rainsthan	8.5	1.5
Orissa	8.5	0.6
Bihar	8.3	7.4
Haryana	8.1	1.1
Assaul	7.8	5.4

represented in Table 1. Table 2 presents the movements in the consumer price index decade-wise. It brings out that over the last 27 years there has been an acceleration in the rise in this index from decade to decade. Thus the compound growth rate in consumer prices with 1960 as base, which was 6.3 per cent in the sixtles moved up to 7.8 per cent in the seventies and to 9.1 per cent in the eighties so far. This

compares with the rise in the wholesale price index of 6.2 per cent, 9.6 per cent and 6.9 per cent, respectively, during the above periods. Significantly while the rate of rise in the consumer price index was higher in the eighties than in the seventies, the wholesale price index rose at a pace much lower than this in seventies. With the sharp rise in consumer prices the internal value of the rupee stood depre-

TABLE 4. ANNUAL VARIATIONS IN CONSUMER PRICE INDEX (INDUSTRIAL WORKERS) (1960=100)

	Weigh	1981	1982	1983	1984	1985	1986	1987
All India	100 00	131	77	120	83	5 6	87	8 8
		(1000)	(1000)	(1000)	(1000)	$(100\ 0)$	(1000)	(1000)
Jammu and Kashmir	0 18	159	11.1	96	120	3 7	11 4	98
		(02)	(03)	(0 2)	(0 3)	(01)	(03)	(02)
Kerala	5 98	18 3	46	16 9	11.7	16	91	98
		(82)	(37)	(8 4)	(88)	(01)	(64)	(6 9)
Madhya Pradesh	4 34	13 2	108	10 1	94	66	112	81
		(44)	(6 1)	(38)	(5 0)	(5 3)	(5 8)	(4 3)
Gujarat	8 39	13 3	10 4	11 9	63	7 2		95
		(8 4)	(11.1)	(8 4)	(6 5)	(10 7)	(103)	(93)
Maharashtra	16 20	169	90	10 7	97	60	8.5	8,6
		$(21 \ 0)$	(19 5)	(15 1)	(17 7)	(18.2)	(16 5)	(16.5)
Tamil Nadu	9 59	147	60		80			8.6
		(109)	(7 6)	(140)	(98)	(93)	(8 7)	(98)
Karnataka	6 89	17 6	5 6	11 0	ìoi	40	87	80
		(97)	(5.5)	(6 8)	(8 9)	(5 4)	(7 3)	(67)
Andhra Pradesh	3 99	15 2	61	86	10 5	49	96	93
		(48)	(3 3)	(2 9)	(5 1)	(3 6)	(44)	(4.3)
Uttar Pradesh	6 13	11 0	20 2	11 4	69	7 2	87	8.5
		(5 4)	(6 9)	(6 0)	(5 3)	(81)	(64)	(61)
Punjab	1 28	118	61	87	80	7 2	61	
		(12)	(11)		(1 2)	(16)	(09)	(20)
West Bengal	16 74	88	81		100			64
		(10.8)	(16.2)	(144)	(18.6)	(18.3)		(11.5)
Rajasthan	1 57	140	66	72		8 4	69	10 5
		(18)	(14)	(10)	(1 2)	(25)	(13)	(18)
Orissa	0 63	93	13 3	13 8	2 4	74	50	86
		(0.5)	(10)	(07)	(02)	(0 8)	(04)	(0.6)
Bihar	8 43	11 3	ic 2		2 3	50	98	8 2
		(7 3)	(10.9)	(80)	(2 3)	(71)	(8 9)	(74)
Haryana	1 15	i1 9	74	75	5 3	66	7 2	ii o
			(1 2)	(0.8)	(08)	(1.4)	(10)	(14)
Assam	7 07		76	119	117		43	10 2
		(28)			(8 7)			(69)
Delhi	1 44	11.1			8.5	78	100	
		(13)	(16)		(1.5)		(17)	(17)

Note Figures in parentheses represent weighted contribution of particular state to all India price movements

TABLE 5: MOVEMENTS IN CONSUMER PRICES (GROUP-WISE)

	Weight	1983	1984	1985	1986	1987
Food	60.92	13.1	7.3	3 6	94	8 9*
		(70)	(56)	(42)	(68)	(68)
Pan, supari, etc	4 79	10.7	107	13 1	13 5	98*
		(4)	(6)	(11)	(8)	(6)
Fuel and power	5 77	99	12 5	10 6	70	47*
		(7)	(12)	(14)	(6)	(4)
Housing	6 36	10.0	11.0	13 0	94	10.5*
		(3)	(4)	(7)	(4)	(4)
Clothing	8,54	8.0	47	66	5 4	4.8*
		(6)	(5)	(10)	(5)	(5)
Miscellaneous items	13.72	94	13 3	7 6	63	8.9*
		(10)	(18)	(16)	(9)	(13)
General index	100.00	12.0	8.3	56	87	8.8
		(100)	(100)	(100)	(100)	(100)

Note: Figures in parentheses are weighted contribution of respective groups to general price movements.

\* Average upto November 1987.

ciated to 14 paise per rupee in 1987 as against 26 paise in 1980 and 54 paise in 1970.

Because of the interactive macroeconomic variables there are difficulties in identifying the various causes that lead to high domestic inflation. Supply shortages. higher liquidity in the system and compensation to the employees which functioned as the 'demand pull' and 'cost push' factors, depreciation of the rupee, particularly against the yen, and DM and pound, government levies in the form of indirect taxes, upward revision of the controlled prices of certain commodities and relaxation of selective credit controls all seem to have contributed to the recent rise in the price level.

State-wise analysis discloses a trend similar to the one at the macro level. But one interesting feature noticed in the movement of consumer prices of the states is that the compound growth rates between 1960 and 1987 in almost all the states were more or less the same as the all-India rate (Table 2), However, intratemporal growth rates varied widely among the states. In the eighties two states, Jammu and Kashmir and Kerala, recorded double digit inflation. States like Maharashtra (9.7 per cent), Tamil Nadu (9.5 per cent), Gujarat (9.9 per cent), Karnataka (9.2 per cent) and Madhya Pradesh (9.9 per cent) recorded a rise higher than the all-India rate (9.1 per cent). Andhra Pradesh and Delhi had the same rate of rise as the all-India rate. In all other states, consumer prices rose at rates ranging between 7.8 per cent in Assam and 8.8 per cent in Punjab and Uttar Pradesh in the eighties (Table 3).

Maharashtra and West Bengal with a large weightage were responsible for at least 32 per cent of the all-India price rise in all the years, even though the rise in the index in other states was much more than in these two states. The southern states together contributed only 28 per cent to the rise in the all-India index. Bihar, Assam and Orissa together accounted for between 13 and 16 per cent. The northern states like Jammu and Kashmir, Punjab and Haryana were responsible for only 3 to 4 per cent of the rise in the all-India index, because of the lower weight assigned to these states.

The rise in the index for food items. though smaller at 8.9 per cent in 1987 as compared to 9.4 per cent in the previous year, acted as the major contributor to the general up-trend with a share of 68 per cent. The next major contribution emanated from the service items represented in the index as 'miscellaneous' items, which contributed 13 per cent to the rise during the year. All other groups, except housing, rose at rates less than that registered in the earlier years (Table 5).

#### MRF LIMITED

Regd. Office: 826, Anna Salai, Madras 600 002

#### NOTICE

It is hereby notified for the information of the public that MRF Limited proposes to make an application to the Gentral Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division. Brief particulars of the proposal are as under:

1. Name and address of the applicant : MRF LIMITED Tarapore Towers 826 Anna Salai Madras 600 002

2. Capital Structure of the applicant organisation: Equity Preference In Rupees 9,00,00,000 1,00,00,000 (a) Authorised 3.85,61,180 (b) Subscribed (c) Paid up 3,85,61,180

Management structure of the applicant organisation Indicating the names of the Directors, including Managing/Whole-time Directors and Manager, if any

1. Mr K M Mammen Mappillai Chairman & Managing Director Vice Chairman & Managing 2. Mr K M Mammen Director Whole-time Director Mr K M Philip Mr James H Hoffman II Director Mr V Emberumanar Chetty Director Mr K S Narayanan Director Mr H P Nanda Director Mr Karot C Thomas Director Dr K C Mammen Director Mr C G Rangabashyam
 Mr C D Khanna Director Director 12. Mr K D Parakh Director Mr N D Shah Nominee Director 13.

Mr Ravi Mammen Indicate whether the proposal relates to the establishment of a new undertaking or a new Unit/Divison

: New Article

5. Location of the new undertaking/Unit/Division:

Tabsil Arkonam District North Arcot State Tamil Nadu

Managing Director

Not Applicable

6. Capital structure of the proposed undertaking :

In case the proposal relates to the production, storage, supply, distribution, marketing or control of any goods/articles, indicate:
(i) Names of goods/articles
(ii) Proposed light and indicate:

(ii) Proposed licensed capacity (iii) Estimated annual Turnover

\*Pre cured Treads (for Tyres) 6000 Tonnes/Annum

Rs. 17,00,00,000 \*Speciality material sultable for cold cure process of recapping tyres.

in case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income,

turnover etc 9. Cost of the Project Not Applicable Rs. 25,00,000

Scheme of finance, indicating the amounts to be raised from each source

Rs, 25,00,000

(From internal Resources)

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intlmating his views on the proposal and indicating the nature of his interest therein.

Dated this 18th day of April, 1988.

D M CHOKSI SECRETARY

## The Nightmare Begins Oustees of Indira Sagar Project

Satinath Sarangi Ramesh Billorey

While the government has formulated a rehabilitation policy for the oustees of the Narmada Valley Project the people of Navalkheda, a project-affected village in Madhya Pradesh, are being harassed into accepting meagre financial instead of land-forland compensation.

EVERY year about a mullion people in our country, a majority of them tribals, are uprooted from their homelands due to the so-called development projects. Till recently the government did not have any policy for the rehabilitation of these oustees. The affected people were often driven out through violent means and in some cases were given a token compensation money which did little to provide sustenance to the ousted population whose means of survival was taken away from them. Alongwith the increase in the number of such displaced people there has been a growing national and international concern for these 'victims of development' and development projects have drawn criticism from various quarters.

The Narmada Valley Development Authority (NVDA), which is overseeing the yet-to-be constructed Indira Sagar Project in the Narmada river in Madhya Pradesh, has responded to such criticisms by formulating a rehabitation policy for the more than 1,70,000 potential oustees. The NVDA officials never fail to mention that they are the pioneers in this area. The World Bank, which is providing the funds crucial to the construction of these dams, has also played a major role in the formulation of the policy.

The policy appear to be quite progressive as it addresses itself to a number of problems that the affected people are likely to face. The oustees would be provided land for the land they will lose due to submergence; the land provided would be of the same quality, if not better, as the land presently held by them, cultivators with less than five acres would be provided with at least that much land—these would include tribals who have been traditionally cultivating land but not held legal ownership rights over it; the oustees would be relocated as village units so that community life is not unsettled. On paper it appears to be a laudable rehabilitation policy as some of the voluntary organisations have pointed out. In reality it is not. A close look at the manner in which this policy is being implemented would be enough to convince anyone that it is nothing but a facade—a devious strategy to silence criticism.

In the case of Sardar Sarovar Project the other major World Bank-funded dam on the Narmada in Gujarat, violations of the rehabilitation policy norms have already become clear. Of the 237 villages (total population 1,00,000) to be submerged by this dam, residents of only nine villages have been relocated so far. The norms of the policy have been flouted most brazenly and present an ominous future for the large majority of the oustees. According to Medha Patkar, an activist of the Dharangrast Samiti, Dhule, working among the oustees in Maharashtra, the government claimed to have arranged for 80,000 acres of land to resettle the outside population but a closer look at the actual land records reveal that 90 per cent of this land is either already under cultivation or have been afforested. "The government". she says, "does not have the land. How can it ever implement the land-for-land policy?" During the January protest rally by 3,000 Sardar Sarovar Project affected people it was pointed out that the land being given so far is of inferior quality and that in some cases the land given is slated for submergence. The oustees of as many as 10 villages in Madhya Pradesh (of the 182 villages to be affected by Sardar Sarovar) have been shown the same plot of land reserved for relocation. People from one village in Gujarat have been relocated ineight separate villages with total disregard for their traditional community ties.

For the Indira Sagar Project-affected population, the nightmare has just begun. The NVDA authorities had made plans to relocate the people from over 250 villages in different phases. According to the plans, 12 villages which were, according to their own admission, arbitrarily selected for phase I were to be relocated at the same time. Owing to the stiff opposition by the oustees in these villages to the construction of the dam, the authorities have now resorted to striking one village at a time. The first village that has been identified, Navalkheda, is one of the smallest consisting of 32 households, one-third of which belong to scheduled caste populations. On January 30, 1988 as more than 300 members of the Narmada (Indira) Sagar Sangharsh Samiti went on a daylong fast opposing the dam, 15 people from Navalkheda were taken to a village Golegaon in the neighbouring district of Hoshangabad. There they were told by Mourya, the rehabilitation officer of NVDA, that 250-300 acres of land would be purchased from the farmers of Chapra-Grahan, Meongaon and Golegaon and given to them. The land to be acquired from Navalkheda by NVDA is 430 acres. When the villagers told the officers that they did not want to move from their own village, the officers told them that they would have to move out or else they could drown themselves in the waters of the dam reservoir. The villagers were asked to put their signatures on a blank paper and were sent back.

The village Golegaon and its surrounding areas where the people from Navalkheda are to be relocated is one of the few areas in the district where land is available for purchase. There are a number of absentee landlords who are keen on selling off their land due to 'management' problems. The increasing cost of inputs for cultivation in the lands is an added reason. The villagers here are paying the cost of development in a different way. Since 1982 when the canals brought water from the Tawa dam to this area, the cropping pattern has changed drastically. Replacing the traditional crops like pulses and oilseeds. soyabeen has emerged as a major crop.

Inputs of chemical fertilisers and pesticides have gone up by three times since they started farming with intensive irrigation. This year the entire 'tuar' crop has been destroyed by pests and the 'chana' crop is badly affected. This is the third year of such pest attacks. With every passing year the pesticides have become more and more ineffective against the pests. A local farmer Hari Prasad described to a pesticide sales agent, "now even if we catch hold of the pests and drown them in the pesticide, they come out alive" The current market price of land in that area is in the range of Rs 12,000 to Rs 15,000 per acre. The villagers of Navalkheda, have been told by the officers that they would be paid at the rate of Rs 8,000 per acre. Thus the oustees will not be given equivalent amount of land which is a breach of one of the fundamental norms of the rehabilitation policy.

The story of more than 15 villages where land has been acquired for the construction of a railway diversion line illustrates the machinations of the dam authorities. The construction of this diversion line between Talwadia and Khirkia is necessary as a part of the railway line would get submerged by the waters of the Indira Sagar Project. So it is expected that

the people whose lands are being taken away for the railway line will be compensated as per the rehabilitation policy of the project. The experience of the people in these villages, however, bely such expectations.

In one of the land acquisition camps held at village Kashipura on March 27. 1988 the villagers were told by the land acquisition officer, A K Jain that no land was available and that they would have to take money compensation. While the market price of land in this area ranges from Rs 10,000 to Rs 15,000 per acre the villagers are being offered Rs 2,800 for unirrigated and Rs 3,700 for irrigated land. The 31 farmers who are loosing about 150 acres of land in Kashipura are all quite agitated. A number of these cultivators are tribals who will lose almost all their land which is their only means of survival. The project officers have responded to their resentments with threats. "The government's hands are long", they told the villagers, "do not try to litigate against the government. You can start your litigations and we will go ahead and build the railway line. Then you can go to the court in Jabalpur on the railway and argue your case there!'

The experience of Sudama Prasad, who is loosing almost all of his 60 acres land held jointly by 40 members of his family,

in litigating against such unjust acquisition has been discouraging for the others. Since July 1987 Sudama has been arguing his case for land-for-land through his lawyer in the court of the land acquisition officer at Khandwa which is 60 kms away from his village. Since then he has had to present himself in the court for more than 20 hearings, spending about Rs 200 on lawyer's fees and travel for every trip to Khandwa. Apart from fixing the date of the next hearing little else was done on these occasions. In September 1987 in one of the camps the villagers were asked to sign on a piece of paper to record their presence in the camp, Later these signatures were shown to Sudama's lawyer and he was told that the people have signed on their consent to the land acquisition. The villagers, who were shocked at such a dirty trick being played on them by the 'clean' looking officers, went to Khandwa and submitted affidavits stating that their signatures have been obtained on false pretext. Meanwhile the hearings go on. Leagally, the land can be forcefully occupied by the government in 'public interest'. The NVDA authorities have stated that people would have to sacrifice for national interest. In his moment of despair, Sudama says, "if my land is taken away and the railway line is built, I will take all my family members and lie down in front of the first train that passes by".

independent operation in Bombay's underworld, soon to control vast networks of bootlegging, dock pilferage, smuggling and extortion. In course of time, he rose to unbelievable heights, both in terms of money and power. If a section of Bombay hated him, it is this part of his story which was responsible for that.

But Mudaliar's story had another part too-the part which accounted for his popularity among a section of Bombay's poor, especially the Tamil migrant workers who live in uninhabitable slums. Mudaliar provided them with protection from official tyrannies like demolition of their huts: he functioned as a private adjudicator, dispensing instant justice, which the official legal system failed to deliver to the poor; the annual Ganapati pooja organised by Mudaliar's Sri Sarvajanik Maha Ganapati Pooja Committee gave the Tamil migrants in Bombay a sense of identity while Bombay refused to treat them as belonging to the city. While Mudaliar extracted a price for all these from the poor workers through his extortion network, his ability to deliver what the legally recognised system could not, made him popular. His popularity was such that none could win an election in areas like Matunga, King's Circle, Dharavi and Chembur without Mudaliar's support. To cite another example of his popularity, a rally organised by him in Bombay in 1983 to protest the Sri Lankan state's atrocities against the minority Tamils was attended by about 4 lakh Tamils.

It is often argued that Mudaliar's popularity among the Tamil migrant workers in Bombay was consciously and meticulously nurtured by him in a bid to gain social respectability in the city. To argue that his popularity was the result of his own effort is to ignore the social context which gave him the scope to cultivate such an image. In fact, the contradictions generated by Bombay's urban processes provided the social space for Mudaliar to become popular among a section of urban

The urban processes in Bombaywhich are in a sense typical of any third world city-have produced two Bombays within the city. One is the legally recognised Bombay and the other legally unrecognised or marginalised Bombay. One-third of Bombay's population which lives in urban slums or pavements with the least of civic facilities constitutes the second Bombay. The official Bombay treates the living space of these slum people as illegal encroachment and looks down on them as outsiders. In short, they live in a state of acute marginalisation—they are displaced people from their original social milieu without being reintegrated subsequently with society/urban Bombay. The

Experies and Policies

## Varadaraja Mudaliar: Counter-Obituary

M S S Pandian

To argue that Mudaliar's popularity was solely a result of his efforts to gain social respectability is to ignore the social context which gave him the scope to cultivate such an image. In fact, the contradictions generated by Bombay's urban processes provided the social space for Mudaliar to become a provider for the marginalised migrant population of the city.

When he [Varadaraja Mudaliar] talks in Tamil, his voice is ageless. It is a voice that can be heard at any hour of the day or night in any Indian village, talking endlessly. A voice that speaks of arid waste, of starvation and slow death buzzing with flies. A voice like a crow's. His Hindi is a slum hybrid, saucy and direct, rich in mythology—the only wisdom of the illiterate. Its real strength is ta shillty to adopt clues and key words from any language; a cunning grasp of the essentials; everything—documents, officialdom—perceived as relationships of power.

-Ivan Fera, 'Godfather',
The Illustrated Weekly of India,
May 12, 1985.

WHEN Varadaraja Munnuswami Mudaliar (61), popularly known as Varadabhai, died in Madrason January 2, 1988, the mainstream presswrote obituaries describing his as the kingpin of

Bombay's underworld. His funeral in Bombay was a public affair attended by thousands of people. Shop-keepers in three suburbs—Dharavi, Matunga and Antop Hill—downed their shutters to express their grief at his death. Varadaraja Mudaliar was indeed a phenomenon of contradictions—he was revered as well as despised.

Mudaliar's life-story is full of these contradictions. An orphan child and a migrant to Bombay from Tamil Nadu, Mudaliar, began his career as a railway coolie at Bombay's Victoria Terminus station during the early 1950s. Soon he came into contact with Chella Muttu alias Lumbu Muttu, a fellow Tamil, who was controlling part of the illicit liquor network in the city. Following the violent death of Chella Muttu in 1961, Mudaliar began his

substantive content of this marginalisation is the economic and socio-cultural alienation that these slum people endure in their day-to-day existence. This alienation is the base for Mudaliar's popularity among the Tamil slum people in Bombay. We may note here, a sizeable section of these marginalised people in Bombay are migrants from Tamil Nadu.

The marginalised Bombay lives in conditions of extreme economic deprivation. The average size of a slum household is six persons, but 70 per cent of these households depend entirely on the earnings of a single worker; and two-thirds of these households eke out a living with a monthly income of less than Rs 500. This acute economic deprivation is accompanied by vulgar displays of wealth and consumerism of the other Bombay. This situation of economic alienation would push at least a section of the marginalised into various degrees of lumpenised existence. A number of them find the economy of Bombay's underworld a survival possibility—they get into networks of bootlegging, extortion and gangsterism.

Mudaliar's own life testifies this process. He began as a railway coolie, only to end up in the underworld of Bombay. For the marginalised poor who became Mudaliar's recruits, he was the provider. And understandably he was popular too.

The marginalised exist in a state of estrangement from the official-legal machinery which serves the officially recognised Bombay. Their slums are treated as illegal occupations of urban space and they have to pay a fine of Rs 20 per month Since their place in the city is treated as illegal, they are denied basic facilities like ration cards. While they live in constant fear of eviction from or demolition of their urban hutments, they cannot expect any benefit from the official-legal machinery. Under these conditions, to pay a rent or protection money to Mudaliar is to be free from the legal tyrannies of demolition of their hutments or other forms of official harassment. Mudaliar's dispensation of instant justice in his 'illegal' capacity as a private adjudicator also fulfills a need of the marginalised which the official machinery fails to. Listen to what the deputy commissioner of police Y C Pawar, who launched a partially successful police campaign against Mudaliar's empire, had to say: "Common citizens who had been robbed or cheated and who could not get their grievances redressed by the Matunga police were invited to appeal to Mudaliar for immediate settlement. The image he created was that he could give them justice which the police could not" [The Illustrated Weekly of India, May 12, 1986]. Mudaliar's parallel system of flo justice and his role as a siumlord are a she

process of redistributing power between the powerful and the powerless—between the legally recognised Bombay and the marginalised Bombay. Bombay again provided the scope for Mudaliar to become

Bombay denies the migrant poor a sense of belonging to the city and it treats them as outsiders To deny them an identity within the city is to alienate them culturally from the city. In such a situation, the migrants attempt to reproduce the culture of their original social milieu in their place of migration, so as to construct an identity for themselves.

The Tamil Peravai, a Tamil cultural organisation, and the annual Ganapati pooja, both sponsored by Mudaliar, provided the marginalised Tamil migrants in Bombay with an ethno-religious identity. They would remember Mudaliar for providing them with an identity which the city denied to them. We may note here that Mudaliar himself was treated as on outsider by Bombay. To cite an example, after he died, a feature written on him by

a Bombay-based journalist in an English weekly refers to him repeatedly as the Tamilian—of course, in derogation.

Mudaliar was a product of Bombay's urbanisation. As long as the urban processes produce a vast multitude of marginalised people and as long as the marginalised people have no radical political alternative, there will be lumpenisation of the poor, underworld, mafias and Varadaraja Mudaliars with their immense popularity among the marginalised. To reduce Mudaliar's story to Mudaliar himself is to overlook the perversities of Bombay's urbanisation which is the social context of Mudaliar phenomenon.

Tailpiece: On June 15, 1986, atter Mudaliar was forced to leave Bombay, the Bombay municipal corporation demolished 760 huts in Varadarajan Nagar, a slum colony in Antop Hill named after Mudaliar. The operation was assisted by 100 policemen and a platoon of central reserve police. The affected people would have sighed in desperation, "If only Varadabhai was around .".

POTOMAC MUSINGS

## Children of a Lesser God

D R Khatkhate

The homeless swirl around American cities; they are black, white and brown, men and women, young and old, native Yankies and immigrants from the Andean countries, Africa and even Asia. A trickle a decade ago, their number is swelling.

EVERYTHING in life has its time and place—charity and cheating, affluence and dire poverty, swanky apartments side by side with shantytowns, mendicants and swaggering yuppies. All these contrasting situations abound in a poor country, trying to break its traditional mores to enter the phase of industrialisation and modernisation. But, pray, how can one see around him, in a country priding itself to be the richest of the rich countries in the world, a phenomenon of hordes of the homeless, denizens of a shantytown without there being one. These homeless swirl around the American cities; they are black, white and brown, men and women, young and old, native yankies and immigrants from the Andean countries, Africa and even Asia. A trickle a decade ago, their number is swelling. Dressed in drab and unwashed clothes, resting in sleeping bags, these men with shaggy beards and women with disheveled hair greet you at every metro station, but stop, shopping mall and corporate office and the outskirts of international aid agencies. They invade chapels, shopping centre floors and school corridors for night shelter and for answering the call of

nature. They have thus become a major scourge for the cities and the government.

But who are these homeless and where have they come from? There is no mass unemployment nor migration from the declining rural hinterland to the urban centres that one comes across in poor developing countries. These are not even identified with the blacks, the perennial underdogs in the American society because there are whites and other nonblacks among them. Blacks may live in pigsties which they can call their homes. They may be homeless with a home but not homeless without a home. Can economics of the market place which is raised to a status of high deity by the Reagan administration throw light on it? Perhaps, but not fully. Market-determined demand creates over-development-you might get new models of cars every year, new designs of clothes every three months, new gadgets every few minutes at declining cost and price but not a roof over your : head. The republican regime has slashed the funding of urban housing on government account on the specious ground that it is for the private sources to assume that role. Yet, homelessness is not a consequence of over-development or maldevelopment, if one can use that expression for a change,

You know how these homeless people are, if you peruse their history. These are not necessarily poor as we in India meet in our shantytowns. Many of these are well educated, once well-stationed in life, some among them had enjoyed higher standards in the seventies, but now have fallen on evil days. Here is a life history of a few as narrated by one among them-Pia McKay who holds a masters degree of an Ivy League University, Columbia, once taught in a Washington school system but has lived since 1980 in a shelter. Her transition to the rank of the homeless was forced by the psychotic state that she got into as a result of the trauma of foster childhood. She lived this wretched life among other ladies of varying ages and nationalities. One in her late sixties defied her children willing to support her. She did this because she regressed to childhood with its fading fantasies. There is another one, a chronic alcoholic, kleptomaniac who worked in a high position in the government for twenty long years. "I don't want to be cured" she shouted when offered succour. She often got injured in accidents in her rounds of the city of Washington, and was often raped, disowned by her family, and thrown out from various shelters, her abode is an awning of a restaurant. And there is a handsome east European woman, once an apple of many an eye, immigrated into the land of promise, being locked in love with an American. Deserted, she attempted suicide, after scampering around in search of a peaceful resting place. You also know a woman with college education, yelling for rights, heaven knowns what they are, and occasionally resorting to prostitution: her cause for disorientation was her discovery that she found her mother in bed with her niece! Here is one from an Asian country who came as an exchange student with great hopes of going to good schools. But some obstacle or the other. and she is left high and dry-no education, only joints and alcohol. She constantly reads something or other in preparation she does not know for what.

Joining this phalanx are the grown up men of ages varying between thirty and sixty. Many of them once enjoyed the luxury of high living. With their savings dissipated on unwanted wants and old age infirmaties, forsaken by their kith and kin and without the resources to enter the dorm for the old and sick, they have sought their destiny in the market place—literally a market place which the wise-acres of new economics believe would resolve all the problems of America. The market place may or may not clear the

goods that flow to it but it brings in living bodies who become zombies, psychotics and prostitutes clogging markets without any demand for them even as a free commodity. If you have not seen the magic of a market place, please rush to American citles to be dazzled by it.

You see then that this frightening spectre of homelessness is not of a genre of the slumdwellers in our land of the impoverished population. In some way it is sociological in its manifestation. Families are broken with divorce rates skyrocketing; 50 to 55 per cent of new marriages go up in smoke every year. The average life of a marriage has shrivelled dramatically from 25 years as of yore to anywhere between 3 and 4 years. Partners in marriage know each other as intimately and warmly as two strangers passing through a revolving door. Marriage is a sort of procedure for fulfilling some immediate but transient needs. The two thus remain strangers as they grow and when a crunch comes at some point in future, the whole edifice of beliefs, values and that invisible thread inter-lacing their souls falls like nine pins. Things go even worse when the conjugal embrace brings forth a progeny without love, without care, embroiled in emotional tyranny. The riches of society may have banished the agonies of hungry bellies in affluent societies and brought Instead illness of minds. How can one explain otherwise that beautiful, sophisticated, cultured and well-bred men, women and children can regress to childhood state with total disorientation. Children may be there but they do not behave as ones simply because they do not know who their parents are at one time or the other. The parents swap their marriage partners so many times that they should be excused if they do not know whom to call their own children. Even those families which are not as much divorced as many other and whose children are relatively emotionally stable, refrain from placing as much premium on care and health of their wards. If the child is nineteen it is a major and it should be on its own. The parents figure out that once their children reach a certain age, they have fulfilled their obligation as parents. They are then free to enjoy their own life what with a holiday trip to the world afar.

Economic factors operate but in a different manner. There is an inner drive to earn more and spend more, even when incomes earned are sufficient to maintain a decent life style. The psychological rule, which motivates Mark's capitalist to accumulate and accumulate and accumulate also governs the consumer in this society—he has to spend more and more on newer goods all the time. This driven mentality in the conduct of daily life has

ravaged the psychological apparatus of the people. This craze for satiation of unwanted wants has created a crisis. Is wantlessness a mere utopia?

So these homeless will continue to roam about in American society. Your moral sensibility may be outraged, if you see a middle-aged man wrapped in dirty rugs with saliva dripping through the corners of his lips and with sunken eyes bundled out of a restaurant by the roughnecks: your heart might bleed, looking at a beautiful damsel of yesteryears in a seminude state begging for a dime or quarter for a peg of scotch. Under the present societal dispensation this show will go on. Men of conscience may agonize, a good Samaritan as Mitch Snyder may launch a Joshua-like crusade to wipe away the tears of this luckless humanity, but nothing basically will change for a while at least. These highminded people with goodwill, piety and compassion will face the dilemma of the minister of the Capitol Hill United Methodist Church. This factorum of god pushed away the wares and treasures of a homeless one from the driveway of his church to the curb from where it was tucked away by the garbage van. Losing his worldly goods, the hapless homeless looked back in anger: "You preachers are all alike. You live in nice homes with closets. You have places to put things." The next thing the god's acolyte did was to raise the fence to shut out the homeless from entering the portals of the church. He was no doubt protecting the people of god such as him so that he could give in solitude a sermon from the holy scriptures to his audience. He could have instead recited a poem 'Mending Wall' by America's national poet, Robert Frost. By raising the fence he was 'walling in' the people of god but whom was he 'walling out?' Perhaps children of a lesser god?

#### STUDIES IN MIGRATION: INTERNAL AND INTERNATIONAL MIGRATION IN INDIA

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## Crop Insurance The International Experience

K Seeta Prabhu

Crop Insurance for Agricultural Development: Issues and Experience edited by Peter Hazell, Carlos Pomareda and Alberto Valdes, published for the International Food Policy Research Institute by the Johns Hopkins University Press, Baltimore and London, 1986; pp xviii + 322, price not stated.

AGRICULTURE has traditionally been considered as a risky business with income fluctuating from year to year and the possibility of catastrophic losses looming large on the horizon. Farmers, being typically risk-averse, attempt to stabilise their incomes by resorting to a variety of measures. Chief among these are diversification, intercropping and share-cropping arrangements. In recent times, governments of developing countries, concerned with the welfare of the farming community, have either encouraged or directly participated in the setting up of risk sharing institutions. Crop Insurance has been increasingly looked upon by many as an answer to the problem of instability of farm incomes.

In India, the efforts to introduce crop insurance date back to the years immediately after attaining independence when some state governments evinced an interest in introducing the scheme. The issue has been discussed from time to time and in the year 1970, a committee headed by the late Dharam Narain was set up to examine the pros and cons of the scheme. After subjecting the issue to a thorough scrutiny, the Dharam Narain Committee recommended against the introduction of the crop insurance scheme in the country. Dandekar1, objecting to this recommendation pointed out that many of the difficulties visualised by the Dharam Narain Committee could be overcome by adopting the 'area approach' to crop insurance. The government of India introduced a Comprehensive Crop Insurance Scheme in India since kharif 1985. Though the scheme is based on the area approach, it differs from Dandekar's suggestions in some crucial features. While it is too early to pass a judgment on the scheme, some of its features have been found to have disturbing implications.2

It is in this context that the publication of the book under review is to be welcomed. The book includes selected papers from a conference on crop insurance and agricultural credit held at San Jose, Costa Rica, in Rebruary, 1982, besides specially commissioned papers. The papers, taken together, discuss the various issues connected with crop insurance and present detailed documentation of the experience of various countrles wherein the crop insurance scheme has been implemented. Both these features make the book invaluable for researchers and policy makers alike.

The papers in the volume are arranged into three parts for convenience of analysis. The first part discusses Issues concerning the demand for insurance while the second is devoted to an analysis of implications of crop insurance for public policy. In the third part details of the experience of the US, Japan and Brazil with respect to crop insurance are presented along with a discussion on the financial and organisational issues concerning the implementation of such schemes. In view of the importance of the issues raised a detailed discussion of the contents of the volume is presented below.

#### **DEMAND FOR CROP INSURANCE**

The authors of the various papers assume that the basic objective of crop insurance is stabilisation of the incomes of farmers. Since usually there are alternative methods available for such stabilisation, the question that naturally arises is when is crop insurance demanded?

Walker and Jodha set out the following two conditions under which there is demand for crop insurance: (i) when the existing risk management practices fail to protect the stability of household consumption; and (ii) when reliance on traditional measures leads to substantial losses in static and dynamic social efficiency.

This leads to the question of the efficacy of the risk management practices traditionally used. The issue is examined with the help of smali farmer cultivation in south Asia, central America and east Africa. The risk minimising practices generally adopted by farmers are diversification of resourcesvertical, horizontal and temporal—and adjustments within the cropping systems. The data relating to Indian villages in Sholapur and Akola regions reveal that both spatial and crop diversification are widely used in these semi-arid regions. The studies by the International Crops Research Institute for the Semi-Arid Troples (ICRISAT) in these villages proved the superiority of crop diversification over spatial diversification in reducing the Income instability of farmers. However, even the usefulness of crop diversification was limited as it failed to adequately protect the farmers from risk. Adjustments within the cropping system, in this case inter-cropping of sorghum and pearl millet, also proved ineffective as was evident from the positive and significant correlation

between their yields. An interesting feature that was observed was the use of tenancy contracts as a means of sharing risks. The traditional risk management measures used in Tanzania and El Salvador also were equally ineffective.

The authors therefore opine that crop insurance does seem to have a role to play in countries where traditional strategies to manage risks are inefficient. The provision of insurance may enable the farmers to adopt riskier innovations. An indirect benefit of crop insurance may be on the agricultural labour market where the incomes of labourers may stabilise as small and marginal farmers will no longer be compelled to join the ranks of agricultural labourers and push down the wage rate following a failure of crops.

Given that crop insurance has a role, albeit limited, to play in the agricultural sector of developing countries, how is one to evaluate its benefits? In answer to this question, Hazell, Bassoco and Arcia present a farm model wherein the objective function of farmers is assumed to be maximisation of expected utility, subject to a set of constraints on the available resources that they can use. The model is framed within the context of a whole farm plan and takes into account co-variances between various activities in determining income variability.

The model is tested with respect to Mexican and Panamanian agriculture. The results indicated that in Mexico, crop insurance was not an attractive proposition with respect to beans in spite of the higher coefficient of variation of returns observed in its cultivation. In the case of maize in rainfed areas, crop insurance was feasible only if two-thirds of the cost of operating the scheme was subsidised. In the case of Panama, the results were highly favourable to crop insurance for maize in Guarare district. In this district, considered to be one of the risklest agro-climatic regions in Panama, the crop insurance scheme could be viable even without subsidies. In sharp contrast, the results for sorghum in the same region were not very favourable. Similarly, the Bugaba district, whose agriculture could be considered more representative of Panamanian agriculture, the crop insurance schemes were not attractive.

The experience of various regions cited above are proof enough of the fact that the benefits from crop insurance are highly crop and location specific. It clearly warns against the adoption of a uniform scheme of crop insurance in a country characterised by different agro-climatic regions.

The question that is connected with the above is as to why crop insurance is not commonly offered by private agencies in developing countries? In this connection. Binswanger points to the information, moral hazard and adverse selection problems faced by insurance agencies. Incentive and information problems which are similar to both credit and insurance services act as severe obstacles. As Binswanger rightly points out, given the problems of collateral and covariance of yields of borrowers in a given area, the demand for insurance may arise mainly from credit institutions which are anxious to recover their loans. He strongly feels that given the conditions in most developing countries, it would be preferable to have a variety of specific risk contracts rather than multiple-risk crop insurance. The role of the government should be to improve the policy climate for risk-specific insurance so that private insurance agencies may be induced to offer such contracts to farmers.

While not everyone will agree with Binswanger that crop insurance should be limited to the private sector and to specific risks, there is no doubt that the incentive and information problems in developing countries are formidable. A cautious step-by-step programme of extending crop insurance is to be strongly supported as against a cavalier attitude evident in the actions of several governments in introducing ambitious schemes of multiple-risk crop insurance based on weak and sometimes non-existent data.

Crop-credit Insurance is often advocated on the grounds that it reduces administrative expenses, eliminates the problem of adverse selection and improves the recovery performance of lending institutions. Von Pischke examines the case for crop credit insurance and concludes that its role is generally overestimated. According to him, crop credit insurance often acts more like a transfer mechanism whereby the agricultural lending institution is spared the embarrassment of bad debts by the simple fact that the burden is transferred to the insurance agency. The improvement in the recovery performance of the lending agency depends upon the contribution of yield risks to default of loans in the past. To the extent that debt repayment performance is influenced by other factors such as managerial limitations on the farm, character risks, political actions that encourage non-repayment of loans and the way in which lenders structure their relationship with borrowers, the effect of crop credit insurance on loan recovery is bound to be limited. Pomareda's account of the effects of crop credit insurance on bank performance in Panama corroborate Von Pischke's analysis. Pomareda shows that crop credit insurance in Panama dld not lead to any great improvement in the reduction in

variability of repayment of loans. The gains from the implementation of the scheme were by way of reduced collection costs, greater loan turnover and more efficient use of bank staff-gains that could have been obtained without crop credit Insurance by simply better approval, supervision and management of loans.

There are two additional factors which are likely to affect the performance of crop credit insurance in developing countries. Though the authors have not mentioned them specifically, it is necessary to draw attention to these factors for a better insight into the crop credit insurance scheme. Given that crop credit insurance is almost always a compulsory scheme whereby the borrowers of short-term credit are compelled to purchase insurance, its coverage is restricted to borrowers of Institutional credit. It is common knowledge that in most developing countries, the small farmers as a group, may not have adequate access to the credit institutions. Thus the bias, if any, in the access to and coverage of rural credit institutions is likely to be inherited by the crop insurance scheme.

Secondly, since most crop credit insurance schemes are operated by public agencies, the problem of pressure groups acting to manipulate premia, coverage, etc, to the advantage of sections of the farming population cannot be ruled out. Political pressure has played havoc with the co-operative credit structure in India. The linking crop insurance to this already problem-ridden institution may well turn out to be a case of the remedy being worse than the maladyl

#### **CROP INSURANCE AND PUBLIC POLICY**

The second part of the book is devoted exclusively to a discussion of the social effects of implementing crop insurance schemes—an issue that is of crucial importance to developing countries. It needs to be recognised that crop insurance is only one of the alternative ways of managing agricultural risks and hence its benefits have to. be compared with the benefits accruing from other policy measures before any decision on its implementation is taken. Another factor that makes the appraisal of social benefits imperative in the case of crop insurance is that multiple-risk crop insurance has almost always been operated in the public sector as a subsidised scheme.

Siamwalla and Valdes examine the case for public intervention in the form of crop insurance by using a welfare economics approach. Treating crop insurance as a cost—reducing institutional innovation, its benefits to society are sought to be measured in terms of its impact on supply response. Comparing crop insurance with agricultural research, the authors opine that the difference between the two arises from the fact that while the findings of agricultural research can be considered a public commodity, the results from crop insurance cannot be so regarded. The

rationale for substansing crop insurance arises solely because of the lack of proper information necessary for the formulation and successful implementation of the scheme. Thus the subsidy that may be considered as a case of protection to an infant-industry in the initial stages, loses its justification in later years. However, political pressures make it difficult to withdraw a subsidy once it is introduced. As a result we find that in countries like Japan and the US, subsidies have been in existence for crop insurance for several decades.

Subsidised crop insurance is usually justified as a means of stabilising the incomes of small and marginal farmers who constitute the most vulnerable section of the farm population. While the authors agree with this viewpoint, they stress that methods must be found to restrict the coverage of subsidised insurance to small farmers alone. An indirect benefit of crop insurance accrues by way of obviating the need for small and marginal farmers to add to the ranks of the landless labourers following a failure of crops. The resultant stabilisation of incomes of the landless labourers could be an important benefit.

Thus it appears that an across-the-board subsidy for crop insurance does not have a strong case. It may be acceptable on three grounds, (a) to protect the incomes of small farmers, (b) for positive effects on incomes of agricultural labourers and (c) in the initial stages as in the case of an infant industry. The case for government intervention arises from the inadequacy and inaccessibility of information. To the extent that information is a public commodity, the government has to step in to provide support during the short run.

The risk reducing effects of crop insurance on agricultural production and social welfare are examined by Bassoco, Cartas and Norton with respect to the compulsory and subsidised scheme in operation in Mexico. A parametric solution of a larger Mexican model was attempted to measure the benefits from crop insurance.

The simulation results indicated that a crop insurance programme which seeks to eliminate risk completely had positive effects on social welfare as measured by the changes in producer and consumer surplus. The landless labourers benefited due to an increase in employment. The provision of insurance induced a shift to riskier crops leading to a greater variance of production.

In reality, a crop insurance programme does not eliminate risk of yield loss completely. Further, in most of the crop insurance schemes, the premium paid by farmera is subsidised. Taking these factors into account, the model was re-estimated. The subsidised premium rates prevailing in the Mexican crop insurance programme were used in the analysis. The results indicated that subsidised crop-credit insurance in Mexico led to a sizeable net social loss, the cost of subsidy greatly exceeding the increase

in aggregate welfare. A disturbing feature of the scheme was that commercial farmers received a substantial proportion of credit and insurance subsidy leading to a worsening of income distribution in rural areas. Even when insurance was not subsidised, there was a loss in net social welfare if it were made compulsory. The aggregate administrative costs of insurance far exceeded the risk reduction benefits conferred by the programme. Compulsory crop credit insurance increased costs for farmers and resulted in a net decline of aggregate production by 1.3 per cent. Whatever benefits accrued to the farmers were from the rise in output prices caused by declining production facing an inelastic demand for agricultural products. According to the authors the same benefits could have been obtained more easily by a rise in output price.

The effects of Japan's subsidised crop insurance programme on society do not seem to be any better. The social costs and benefits of the operation of the compulsory rice insurance programme in Japan from 1959 to 1976 were measured by Tsujii using an econometric model comprising a set of equations. The results indicated that each yen of government's contribution to the insurance programme produced 0.39 yen worth of rice, when rice was valued at world prices. Even when domestic procurement prices were used to value the increased production of rice, the benefit cost ratio was quite low at 1.04. In effect, the crop insurance programme acted as a mechanism for transferring income from the urban to rural areas. Given the Japanese situation wherein the average household income is much higher in rural than in urban areas, the utility of this transfer is doubtful.

The fact that multiple-risk crop insurance is not a commercially viable proposition and that its existence depends on liberal subsidies from the government is further underlined by the situation in Australia. Farm incomes in Australia are notoriously volatile. The insurance of crops is undertaken by large insurance bodies in the private sector which offer insurance cover against specific risks such as hail and fire. Lloyd and Mauldon recount the failure of various attempts made in Australia to introduce multiple-risk insurance on a commercial basis.

Siamwalla points to the price risks faced by producers in developing countries growing commodities traded in the international market and bemoans the lack of riskdiffusing institutions such as forward contracts and futures markets which could constitute a better substitute for crop insurance.

Pomareda discusses the crucial question of financial viability of crop insurance programmes. The cost of crop insurance consists of (a) cost of risk and (b) cost of administration, The experience of various countries shows that the costs of risk account for a major proportion of costs ranging between 80 to 90 per cent of national insurance programmes. The administrative

costs vary from country to country depending upon the type of programme and the extent of supervision. However, within each country it remains constant over a period of time. Pomareda opines that if the amount collected as premium were to cover indemnities and administrative expenses, the rate of premium for multiple-risk crop insurance needs to be of the order of 20 per cent. Since this rate is extremely high as compared to non-agricultural insurance, most countries subsidise heavily the cost of crop insurance. The subsidy ranged from a low of 40 per cent in Mexico in 1963-67 to a high of 90 per cent in Japan between 1939 and 1980.

#### **CROP INSURANCE IN VARIOUS COUNTRIES**

The third part of the book deals with the experience of the US, Brazil and Japan with respect to crop insurance and the financial and organisational issues connected with its implementation. Keeping in view the crop insurance programme currently in operation in India, it is useful to obtain answers to the following specific questions:

- Is the crop insurance programme in these countries in the private or public sector?
   If it is in the public sector is it subsidised?
   Is it compulsory? Is it linked to credit?
- 2) Is insurance cover provided for all crops that a farmer grows or only for single crops? What are the crops covered generally? Is the coverage against a single risk or multiple risks?
- 3) Is crop insurance based on the area approach or individual approach?

It has been observed that crop insurance is provided by public agencies in most countries. In the United States, there were attempts by private agencies to insure crops as early as 1899. However, their efforts failed and the programme was discontinued after a brief period of one year. The main problems faced were too broad a coverage of risks, insufficient data on which to base actuarial calculations, late writing of contracts and unsuitability of a group contract to individual farmers. The repeated failure of private efforts forced the government to enter the field of insurance in 1938. In Japan, public crop insurance started in 1939 after the Agricultural Insurance Law was passed by the Diet in April 1938. Brazil, a relatively late entrant in the field of crop insurance, established the National Crop Insurance Institute in 1954 but the programme was terminated in 1966. Inadequacy of insurance contracts, underrating of premia, insufficient funding, concentration of risks, and lack of trained personnel contributed to the failure of the scheme. In 1970 and 1972, state-covered insurance companies provided crop Insurance in the states of Sao Paulo and Minas Gerias. In 1973, a wideranging programme entitled Programme of Guarantee of Agricultural Activities (PROAGRO) was initiated to provide insurance to all crops in all states that were financed under the National System of Agricultural Credit.

In all the three countries the insurance scheme is subsidised. In the US, the Federal Crop Insurance Act of 1980 authorised subsidies up to 30 per cent of premium. Between 1948-79, the Federal Crop Insurance Corporation operated on a subsidy of about 24 per cent in the premium charged. In Japan, also the programme was subsidised though the amount of subsidy varied from region to region. For the nation as a whole, the average premium charged was nearly 6 per cent and the subsidy provided was 3.6 per cent. Thus the subsidy was over 50 per cent of the premium charged. In Brazil also, the crop credit insurance programme is subsidised. The government sponsored PROAGRO as well as the two insurance programmes operated by private agencies in Sao Paulo and Minas Gerias had to be subsidised. It may be worthwhile to recollect that in Mexico too crop insurance is heavily subsidised with the government meeting nearly 80 per cent of the costs of implementing the programme

Regarding the question whether crop insurance is voluntary or compulsory, we find a mixed picture. While in the United States, crop insurance is purchased voluntarily, in Japan it is compulsory for all farmers growing rice on plots of 0.3 hectares and above. In Brazil, the programme was initially voluntary but has been made compulsory for all borrowers of short-term credit since 1980.

The next question that is of importance to crop insurance observers in India is the question of coverage of crops. Dandekar has argued in favour of covering all the crops grown by a farmer in order to protect the total farm income and also because the yield variability of all crops taken together is lower than that of individual crops. The Comprehensive Crop Credit Insurance Scheme currently in operation in India insures only selected individual crops. It is of interest to note that all the schemes described in this book are of insurance of individual crops. The crops generally insured were rice, wheat, cotton, sorghum, corn, barley and horticultural crops. The countries usually offered multiple-risk insurance. Insuring of single risks was not very common

The third question that was raised relates to the individual and area approaches to crop insurance. The difficulties encountered in implementing an individual crop insurance scheme have acted as a strong deterrent to many developing countries, including our own. The area approach relies on the demarcation of homogeneous areas, the premium rate and indemnity being fixed for all farmers growing a particular crop in that region. Crop insurance in the United States started with the individual farmer as the basis but in 1946, the scheme was modified with the adoption of county-wide premium rates. In Japan the scheme was initially based on average yields for the village. Later changes were made to bring it closer to the individual approach. Farmers have some flexibility in the amount of coverage purchased and premium paid. In Brazil, the crop insurance programme functions with the individual farmer as the basis.

The section ends with a particularly interesting paper by Gudger and Avalos wherein they discuss the problems faced by public sector crop insurance agencies. Besides the problems of administrative structure and staff common to all public agencies, the insurance organisation may face what the authors call the 'political hazard'. It is highly probable that in public insurance agencies, the decisions regarding premium, coverage, under-writing and loss-adjusting criteria-in short all aspects of the schemeare determined not on principles of insurance but by considerations of political expediency. The importance of this 'hazard' can hardly be discounted by any discerning observer of the rural scene in India.

The ramifications of ill-conceived and hastily Implemented crop insurance schemes are exemplified in the disastrous situation faced by the Costa Rican crop insurance scheme in 1981-82. In that year the indemnity to be paid to the insured rice growers was of the order of 7.3 million dollars whereas the reserve held by the National Insurance was only 1.9 million dollars. The failure was due to mistakes on the institutional, financial, operational, legal and political fronts. The National Insurance Institute which was in charge of implementing the programme had no expertise in agriculture. The financial arrangements were such that they did not encourage the institute to build up adequate reserves to face a difficult situation. The supervision of the scheme was faulty and though the law required that the premium rate should be actuarially determined the rate actually charged was only one-fourth of the historic JOSSES.

The most important cause for the failure of the programme was, the authors conclude, the 'political hazard'. The main beneficiaries of the programme were the large farmers who formed an effective pressure group against any reform of the crop insurance programme. In the disastrous year of 1981-82, the indemnities worth over 7.3 million dollars accrued to only 1.5 per cent of the total farming population in the country. The fact that the National Insurance Institute was ordered in an election year to declare a disaster and pay indemnities to farmers, despite the fact that lateseason rains saved most of the crops, indicates the pressure exerted by this polltically powerful group. This scenario is familiar enough to those of us in India who have been following the vagaries of the collection of the co-operative credit dues in our country with growing apprehension. With the crop insurance scheme tagged on to the cooperative credit structure, the ensuing fallout can only be pondered upon.

The authors also set out the main components of administrative and contingent costs alongwith suggestions to minimise them. In fact the guidelines given in the paper could act as a useful manual to overzealous governments embarking on ambitious crop insurance programmes.

#### SUMMING UP

A few lessons emerge from this review of the theoretical and empirical issues pertaining to crop insurance. Foremost among these is the clear demarcation of the role of crop insurance in the stabilisation of incomes of farmers. In a situation where agricultural production is faced with several risks and the traditional risk-sharing institutions of farmers prove inadequate in stabilising their incomes, crop insurance provides a formal mechanism whereby risks are transferred from the farmer to the insurance agency. However, it is necessary to remember that crop insurance provides cover primarily against yield risk and hence income fluctuations arising from fluctuations in yield. Where income variability is primarily due to price fluctuations or due to untimely or irregular supply of inputs and information, crop insurance is obviously not the solution Improving the distribution network for the supply of inputs, announcement of support/ procurement prices and improving the agricultural extension system would obviously help improve the situation. While this seems self evident, it needs to be retterated only because policy makers, in their eagerness to adopt new measures, often ignore the conventional methods that may be more relevant to meet the situation.

Another major lesson that emerges clearly from the experience of various countries is that multiple-risk crop insurance is almost always managed by public sector agencies and is often subsidised heavily. While the subsidy may be justified in the initial stages as in the case of infant Industries, its continuation in later years can hardly find any logical support except in the case of small and marginal farmers. The welfare gains of crop insurance are also dubious. In fact Bosacco, Cartas and Norton report a net social loss in the case of subsidised crop insurance in Mexico. This is an important factor to note in view of the heavily subsidised Comprehensive Crop Credit Insurance Scheme that is being implemented in our country.

Thirdly, the benefits of crop insurance are highly crop and location specific. It is necessary to fix the premium rate in such a way that the varying risks in different regions for different crops are taken into account. The fixation of a uniform rate of premium for a single crop over the entire country, as is the practice in India, is patently unwise.

Fourthly, crop credit Insurance may not necessarily Improve the loan recovery performance of lending institutions. To the extent that debt repayment depends on factors such as managerial limitations on the farm, character risks and political influences

that encourage non-repayment of loans, the impact of crop credit insurance on loan recovery may be limited. Even the problem of adverse selection is not solved, as it is merely passed on from the insurance agency to the credit institution. Further, given the poor access of small and marginal farmers to the institutional credit system in most countries, the crop insurance programme may contribute to the worsening of income distribution in rural areas.

Finally, the 'political hazard' of Implementing a highly subsidised crop insurance scheme needs to be explicitly recognised. The example of Costa Rica where the National Insurance Institute was ordered, apparently without much justification, to pay indemnities to beneficiaries, mainly comprising large farmers, in an election year is a classic example of the abuse to which the scheme can be put. In our situation, where the rural elite already constitute a very powerful lobby, such dangers cannot be lightly brushed aside.

It may be concluded that crop insurance is a very useful instrument that can lead to increased agricultural production and welfare under specific circumstances. Its usefulness is limited to areas characterised by yield risks of a random nature. However, because of its conspicuousness, it is often hailed as a panacea for all the ills confronting agriculture, and adopted hastily by eager governments wanting to prove their concern for the farming community. In the process, more appropriate but less spectacular measures for agricultural development such as research, extension and input supply tend to get neglected.

The publication of this excellent book serves as a timely warning to policy makers in developing countries that decisions regarding crop insurance need to be based on pragmatic rather than puerile considerations.

#### Notes

- 1 Dandekar V M, 1976, 'Crop Insurance in India', Economic and Political Weekly, Vol XI (26), pp A 61-80.
- 2 Prabhu K Seeta and Saroja Ramachandran, 'Crop-Credit Insurance: Some Disturbing Features', Economic and Political Weekly, Vol XXI (42), pp 1866-70

Also see Prabhu K Seeta, 'Crop Insurance: Poor Performance in 1985-86', The Economic Times, November 23, 1987.

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# Population Front of India's Economic Development

V M Dandekar

The long-term perspective in the First Plan was to double the per capita income in 27 years. But even in 1985-86, NDP at 1970-71 prices was estimated at Rs 605.48 billion and the population at 754 million so that per capita NDP amounted to Rs 803.02. This was an increase of 71.62 per cent in 35 years, equivalent to an increase of 1.555 per cent per annum. At this rate, it would take 45 years, not 27, to double the per capita NDP. This is a glaring failure and calls for a serious examination. In this paper attention is focused on the parameters of the Indian population.

AS we celebrate the Fortieth year of our Independence, it is worth recalling that the long-term perspective in the First Five-Year Plan, that is in 1950-51, was to double the per capita income in 27 years. This implied a certain perspective in respect of growth in national income as also growth in population. The perspective on the growth of national income was not explicitly stated. But the population was expected to grow at 125 per cent per annum. This was based on the experience of the previous decade 1941-51 in which the population had grown by only 13.31 per cent which is equivalent to an annual rate of growth of 1,258. Hence the expectation that it would grow at an average annual rate of 1.25 per cent over the next 25 years or so appeared reasonable. With a population growing at 1 25 per cent per annum, a doubling of the per capita NDP in 27 years would require the NDP to grow at an annual rate of 3 88 per cent. As it turned out, neither a modest growth of 3.88 per cent per annum in NDP was achieved nor the growth in population confined to 1.25 per cent per annum. The perspective of the First Five-Year Plan proved beyond the parameters of the Indian economy.

The Net Domestic Product at factor cost (NDP) in 1950-51 at prices then current was estimated at Rs 88.53 billion. At 1970-71 prices, this works to Rs 167.98 billion. The population in 1950-51 was estimated at 359 million. Thus, in 1950-51, the per capita NDP at 1970-71 prices amounted to Rs 467.91. Twenty-seven years later that is in 1977-78, the NDP at 1970-71 prices was 441,40 billion and the population was 634 million. Hence, the per capita NDP amounted to Rs 696.21 showing an increase of less than 50 per cent (48.79 percent) in 27 years. Even in 1985-86, the NDP at 1970-71 prices was estimated at Rs 605.48 billion and the population at 754 million so that the per capita NDP amounted to Rs 803.02. This is an increase of 71.62 per cent in 35 years equivalent to an increase of 1.555 per cent per annum. At this rate, it takes 45 years, not 27 years, to double the per capita NDP.

This is a glaring failure and calls for a serious examination. In the following, we shall focus attention on the parameters of the Indian population. Briefly stated, the population perspective in the First Five-Year Plan was undermined by a rapid decline in the death rate without a compensating decline in the birth rate. As estimated from the census data by the reverse survival method, the crude death rate came down from 27.4 per thousand in 1941-51 to 22.8 per thousand in 1951-61, to 19.0 per thousand in 1961-71, and to 15.0 per thousand in 1971-81. In contrast, the birth rate, again as estimated by the reverse survival method, remained almost unaffected. In fact, the crude birth rate increased from 39.9 per thousand in 1941-51 to 41.7 per thousand in 1951-61 and then declined slightly to 41.2 per thousand in 1961-71. It declined substantially to 37.2 per thousand in 1971-81. But the decline was not adequate to neutralise the large decline in the death rate. As a result, the excess of births over deaths, called the rate of natural increase, rose steadily; from 12.5 per thousand in 1941-51 to 18.9 in 1951-61, and to 22.2 per thousand in 1961-71. It remained unchanged at 22.2 per thousand in 1971-81. In consequence, the population increased by 21.51 per cent during 1951-61, by 24.80 per cent during 1961-71 and by 24.75 per cent during 1971-81. The corresponding annual growth rates are 1.98 per cent during 1951-61, and 2.24 per cent during 1961-71 and 1971-81. The First Plan perspective of population growth of 1.25 per cent per annum became ever so remote.

The reverse survival method applied to census data naturally gives estimates of crude birth and death rates for each decade as a whole. To obtain annual estimates, a Sample Registration Scheme (SRS) was initiated in 1970. According to these estimates, the crude death rate came down from 15,7 in 1970 to 11.7 in 1985. The decline has been fairly steady. A simple linear regression fitted to the death rates in the fifteen years 1970-85 gives a very satisfactory fit with  $R^2 = 0.823321$  and shows that the death rate has been declining at the rate of 3.1514 per thousand per decade. If it continues to decline at this rate, the death rate may come down to as low as 6.88 by the year 2000.

In contrast, the decline in the birth rate has not been steady. The birth rate, after fluctuating between 36.9 and 36.6 during 1970-72, steadily came down to 33.0 in 1977. But since then it has fluctuated between 33.0 and 34.0 per thousand. There is a general apprehension that it has got stuck. Naturally, a linear regression fitted to the birth rates

TABLE 1: EXTIMATES OF CHANGE IN BIRTH RATES PER 1000 POPULATION PER DECADE FOR SUB-PERIODS 1970-77 AND 1977-85 WITH R<sup>2</sup> VALUES

State	1970-	77	1977-75		
	Rate of Decline (-) Increase (+)	R <sup>2</sup>	Rate of Decline (-) Increase (+)	R <sup>2</sup>	
Andhra Pradesh	- 0.32023	0 276124	0 343330	0 655555	
Assam	-101190	0 705999	0 633333	0 900848	
Bihar	-0.48047	0.380210	0 888815	0 557314	
Gujarat	-0.64166	0.587220	-0 421660	0 926413	
Haryana	-0.56666	0.305716	0 220000	0 237600	
Karnajaka	-0.84166	0 800697	0 246666	0.346071	
Kerala	-0.82142	0 846075	- 0 351660	0.488168	
Madhya Pradesh	-0.01547	0.000924	0.065000	0 064962	
Maharashtra	-0.70119	0 706256	0 498333	0 689538	
Orissa	-0.71904	0.611696	0 103333	0.041380	
Puniab	-0,50476	0.830819	- 0,070000	0.075341	
Rajasthan	-1.14523	0.677772	0 731666	0.787988	
Tamii Nadu	-0.12857	0.096764	- 0.383330	0.624016	
Uttar Pradesh	-0.71547	0.800784	- 0.318330	0.892101	
West Bengal	Inadequate data		-0.100450	0.025398	
India	-0.51666	0.817176	0.011666	0.005610	

for the period 1970-85 does not give a very satisfactory fit  $(R^2 = 0.664818)$ . There are two clear sub-periods, 1970-77 and 1977-85 with a sharp change in 1977 in the trend in the birth rates. If we fit two separate linear regressions to these two sub-periods, the decadal rate of decline in the first sub-period is a high 5.1666 with a high  $R^2 = 0.817176$ . The second sub-period shows no decline at all and in fact a small rise of 0.11666 per decade. But the value of R2 is very small (0.00561) indicating that there is really no trend. As earlier noted, during this period, the birth rate kept fluctuating between 33.0 and 34.0 which presumably was within the sampling error of SRS estimates.

The situation varies from state to state and calls for an examination statewise. For convenience of discussion, we shall confine attention to only the major states. As in the above, we shall divide the whole period into two sub-periods 1970-77 and 1977-85 and examine the trends in birth rates in these two sub-periods in different states. For this purpose, we shall fit two separate linear regressions to the birth rates in the two sub-periods. The results are given in Table 1.

The estimates of birth rates for West Bengal are available only from 1974-76. Hence, we have not estimated the decadal rate of decline for West Bengal for the first sub-period. In all other states, the birth rate has declined during the first sub-period. The decadal rate of decline varies from a high 11.4523 in Rajasthan to a low 0.1547 in Madhya Pradesh. The R<sup>2</sup> value for Madhya Pradesh is quite unsatisfactory which means that, in Madhya Pradesh, not only the decline was small but it was also not steady. The second and third lowest decadal rates of decline are 1.2857 in Tamil Nadu and 3.2023 in Andhra Pradesh, Here too, the R2 values are rather small so that the rate of decline in birth rate was not only small but also not steady. The R2 values are also not quite satisfactory in Haryana and Bihar though the rates of decline in birth rates are not very small. In other states, the decline in birth rates is substantial and the R2 values are quite satisfactory.

The results for the second sub-period are very disconcerting. As already noted, at the all-India level, the birth rate shows no real trend which is merely an average of the different situations in different states. In 8 out of the 15 states, the birth rates show an increasing trend and in 7 states a declining trend. Of the 8 states showing an increasing trend, in four cases the R2 values are rather low. They are Karnataka (0.346071), Haryana (0.23760), Madhya Pradesh (0.064962) and Orissa (0.04138). We may regard the evidence of rise in the birth rates In the second sub-period in these states as not conclusive. In fact, considering both the sub-periods, the estimates of birth rates in Madhya Pradesh, as judged by the R<sup>2</sup> values, appear very erratic. In the remaining four states, the evidence of rise in the birth rate in the second sub-period is supported by sufficiently high R<sup>2</sup> values, These states with their estimated decadal rates of rise in Birth rates and the corresponding values of R<sup>2</sup> are the following:

State	Estimated Decadal Rate of Rise in Birth Rate Per 1,000 Population	R <sup>2</sup>
Bihar	8.88815	0.557314
Rajasthan	7.31666	0.787988 *
Assam	6.33333	0.900848
Maharashtra	4.98333	0.689538

The case of Bihar appears exceptional. Here, the estimated burth rate increased from 32.0 in 1970 to 33.1 in 1972. Estimate for 1973 is not available. In 1974, the birth rate suddenly dropped to 28.7; between 1974 and 1977, it fluctuated between 27.7 and 31.1. Again, there were no estimates for 1978 and 1979. Then, in 1980, it suddenly jumped to 37.8 and thereafter has fluctuated between 37.3 and 39.9. We do not think that the SRS estimates of birth rates for Bihar for the period 1970-80 are trustworthy and we are inclined to believe that during this period these were never below 40. It does not seem therefore that in the second sub-period, the birth rate in Bihar increased. They have really remained fluctuating between 37.0 and 40. For comparison, we may note that the birth rate in Uttar Pradesh was around 45.0 in 1970 and 1971, that it did not come below 40.0 until 1978 and thereafter has fluctuated between 37.5 and 40.0. The behaviour of birth rate in Bihar during the whole period 1970-85 would be similar.

The evidence of a rise in the birth rate during the second sub-period in the three states of Rajasthan, Assam, and Maharashtra appears conclusive.

Among the seven states which show a decline in birth rates during the second period, the R<sup>2</sup> values are rather small for West Bengal (0.025398) and Punjab (0.075341). The evidence of decline in birth rates in the set was states is therefore not con-

clusive. The evidence of decline in the birth rates in the other five states appears conclusive. These states with the decadal rates of decline in their birth rates are: Gujarat (4.2166), Tamil Nadu (3.8333), Kerala (3.5160), Andhra Pradesh (3.4333), and. Uttar Pradesh (3.1833).

To sum up: During the second sub-period 1977-85, the behaviour of birth rate has varied greatly between different states. In five states, the birth rate has declined. In three states, it has risen. In the remaining states it has merely fluctuated. All this needs explaining.

The general decline in birth rate during 1970-77 is fairly attributed to the official family planning programme pursued since 1966 and intensified since 1970. The stagnation and in some states the reversal in the trend must be explained in terms of performance of the same programme. Fortunately, the department of family welfare, ministry of health and welfare, government of India brings out a year book rich in statistical detail of the family welfare programme. Briefly stated, sterilisation is the most accepted method and necessary facilities and services are provided. At the same time,

TABLE 3: NUMBER OF STERII ISATIONS PERFORMED FROM 1970-71 to 1985-86

Year	Number of Sierilisations (million)
1970.71	1.330
1971-72	2.187
1972-73	3.122
1973-74	0.942
1974-75	1.354
1975-76	2.669
1976-77	8.261
1977-78	0.949
1978-79	1.484
1979-80	1.778
1980-81	2.053
1981-82	2.792
1982-83	3.983
1983-84	4.532
1984 85	4.085
1985-86	4.899

TABLE 2: PERCENIAGES OF ELIGIBLE COUPLES EFFECTIVELY PROTECTED BY DIFFERENT METHODS

Year	Stertlisation	IUD	Other Methods	All Methods
1970 71	8.0	1,4	1,0	10.4
1971-72	9.7	1.3	1.2	12.2
1972-73	12.2	1.1	1.2	14.5
1973-74	12.2	1.0	1.5	14.7
1974-75	12.6	10	1.2	14.8
1975-76	14.2	1.0	1.7	17.0
1976-77	20.7	1.1	1.7	23.5
1977-78	20.1	0.9	1.5	22.5
1978-79	19.9	0.9	1.6	22.4
1979-80	19.9	1.0	1,4	22.3
1980-81	20.1	1.0	1.7	22.8
1981-82	20.7	1.1	2.0	23.7
1982-83	22.0	1.4	2.5	25.9
1983-84	23.7	2.2	3.7	29.5
1984-85	24.9	2.9	4.4	32. <del>1</del>
1985-86 .	26.5	3.7	4.7	34.9

other methods such as the IUD, condom and other conventional contraceptives and oral pilis are also promoted. The statistical data on the performance of the programme comes in a series of carefully worked out steps. In the first instance, data are available on the number of sterilisations and IUD insertions performed, and the number of conventional contraceptives (CC) and oral pills distributed during a year. Next, the last two are converted into equivalent number of regular users of CC and oral pills taking into account the average requirement per couple per annum These are taken to be 72 per annum in the case of condoms and foam tablets, 2 in the case of diaphragms, and 7 in the case of jelly/cream tubes. The distribution of oral pills is reported in terms of number of cycles and converted into equivalent number of regular users on the basis of 13 cycles per annum

The annual performance is cumulated

TABLE 4 NUMBER OF STERILISATIONS PERFORMED IN 1975 76 AND 1976 77

State	1975 76	1976 77	1975 767 1976 77
Andhra			
Pradesh	165163	760275	4 60
Assam	147545	226161	1 53
Bihar	165537	686984	4 15
Gujarai	153023	317113	2 07
Haryana	579420	222738	3 84
Karnataka	120671	430069	3 56
Kerala	156622	214395	1 37
Madhya			
Pradesh	112163	1002181	8 94
Maharashira	611588	862480	1 41
Orissa	125040	322984	2 58
Punjab	53083	139905	2 64
Rajasthan	86257	364760	4 23
Tamil Nadu	270691	567037	2 09
Utiar			
Pradesh	128729	338071	2 63
West Bengal	206424	882591	4 28
India	2668754	8261173	3 10

It will be noticed that the percentage of eligible couples effectively protected has increased from 10.4 in 1970-71 to 34.9 in 1985-86 During the period from 1970-71 to 1980-81 the increase has been almost entirely in the percentage protected by sterilisation which increased from 8.0 in 1970-71 to 20.1 in 1980-81. The percentage protected by IUD slightly declined in the initial years and from 1972-73 to 1980-81 stayed between 0.9 and

11. The percentage protected by other

over a period atter discounting for the pro-

cess of attrition particularly in the number

of sterilisations due to mortality and aging

that is going out of reproductive age of 15.44. In the case of IUD, there are the ad-

ditional factors of expulsions and removals

Thus cumulated from the beginning, the total yields what is called the number of

couples of reproductive age 15-44 'currently protected' by various contraceptives But of

course all the methods do not give equal pro-

tection. Sterilisation clearly gives full pro-

tection Regular use of oral pills is also considered to give full protection IUD insertion

is supposed to give 95 per cent protection

and regular use of conventional contraceptives 50 per cent protection. Applying these

factors of effective protection, the number

of couples 'currently protected' is converted

into what is called the number of couples

'currently and effectively protected' This

number gives a summary measure of the

cumulated impact of the programme as it

is felt in a given year For instance, in

1985-86, 45 159 million couples were currently

and effectively protected from conception

This number should be related to the total

number of eligible couples that is couples

of reproductive age 15-44 In 1985-86, the

eligible couples numbered 129 432 million

Thus in 1985-86, 34 89 per cent of all eligible

couples were currently and effectively pro

tected from contraception. In Table 2, we

give the percentages of eligible couples cur

rently and effectively protected from 1970-71

TABLE 5 Number of Couples Currently Sterilised of which Number Newly Sterilised and the Estimated Rate of Attrition

and 1985 86

Year	Number Currently Sterilised (million)	Of which Sterilised Newly (million)	Number Sterilised Earlier (million)	Rate of Attrition Per cent
(1)	(2)	(3)	(4) = (2) - (3)	(5)
1970-71	7 584	1 330	6 254	
1971-72	9 388	2 187	7 201	5 05
1972-73	12 005	3 122	8 883	5 38
1973-74	12 341	0 942	11 399	5 05
1974-75	13 036	1 354	11 682	5 34
1975-76	14,962	2 669	12 293	5 70
1976-77	22 250	8 261	13 989	6 50
1977-78	21 998	0 949	21 049	5 40
1978-79	22.208	1 484	20 724	5 79
1979-80	22 663	1 778	20 885	5 96
1980-81	23 321	2 053	21 268	6 16
1981-82	24 534	2 792	21 742	677
1982-83	26 731	3 983	22 748	7 <b>2</b> 8
1983-84	29 374	4 532	24 842	7 07
1984-85	31 494	4.085	27 409	6 69
1985-86	34.310	4.899	29.411	6 61

TABLE 6 ELIGIBLE COUPLES EFFECTIVELY
PROTECTED AND BIRTH RATE

Year	Percentage of Eligible Couples Protected	Birth Rate Per Thousand
1970 71	10 4	36 9
1976 77	23 5	33 0
1981 82	23 7	33 8
1984 85	321	32 7

methods increased slightly from 10 in 1970-71 to 17 in 1980-81

Since 1980 81, the percentages protected by IUD and other methods have increased steadily and substantially. The percentage protected by 1UD increased from 10 in 1980-81 to 3 7 in 1985-86 and that by the other methods increased from 1.7 in 1980-81 to 47 in 1985-86 Of course, the percentage protected by sterilisation also increased actually from 201 in 1980-81 to 265 in 1985-86 During this period, the percentage of eligible couples protected by all methods increased by 12 1 percentage points from 22 8 in 1980-81 to 349 in 1985 86 Half of this increase comes from sterilisation. Evidently, though there has been some increase in the use of IUD and other methods, sterilisation continues to be the most acceptable method

In spite of the popular acceptance of sterilisation almost from the beginning, the official policy seems to have been somewhat uncertain at least until 1980 81. This has caused wide variations in the number of sterilisations performed each year. In Table 3 are the number of sterilisations performed each year from 1970-71 to 1985 86.

It will be noticed that the number of sterilisations performed in a year, after a steady increase from 1 330 million in 1970-71 to 3 122 million in 1972-73, dropped to 0 942 million in 1973-74 (If this was a reaction to the somewhat large increase in the previous two years, the lesson was soon lost In 1976-77, a bizarre drive for sterilisation was undertaken In that year, 8 261 million sterilisations were performed, over three times as many as in the previous year In reaction, the number again dropped to 0 949 in the following year Fortunately, strice thereafter, the policy seems to be siabilised and the number of sterilisations have been increasing steadily

The intensity of the bizarre drive for sterilisation undertaken in 1976 77 was not uniform in all the states. Consequently, its intensity or rather severity was even greater in some states than appears in the aggregate. In Table 4, we give the number of sterilisations performed in different states in 1975-76 and 1976-77 and express the latter as a multiple of the former

Clearly, the drive was the most severe in Madhya Pradesh amounting to sheer madness Almost nine times as many sterilisations were performed in 1976-77 compared to those in 1975-76 Presumably, the large tribal population in that state was the main victim. If we leave out this extreme

case, the number of sterilisations performed in 1976-77 as a multiple of the number performed in 1975-76 varied, from 4.60 in Andhra Pradesh to 1.37 in Kerala. At one extreme are Andhra Pradesh (4.60), West Bengal (4.28), and Bihar (4.15). At the other extreme are Assam (1.53), Maharashtra (1.41), and Kerala (1.37). In the remaining eight states the multiple varied between 2.0 and 4.0 compared to all-india average of 3.10.

In view of the large proportion that sterilisation accounts for in the currently and effectively protected couples, it will be useful to understand how this number builds up from year to year after discounting for the process of attrition. Of course, the dynamics is simple. Out of the number currently (and effectively) protected by sterilisation in a given year, a certain number go out by the process of attrition due to mortality and aging. The remaining move into the next year still eligible and protected. To this is added the number of newly sterilised during the year. The total gives the number currently (and effectively) protected by sterilisation in that year. In Table 5, we give the number currently protected by sterilisation and the number newly sterilised each year from 1970-71 to 1985-86.

The derivation of the rate of attrition given in col 5 needs some explanation. In col 2 is the number of currently sterilised. Of these, some are sterilised newly during the year while the balance are sterilised earlier. Their numbers are given in cols 3 and 4 respectively. For instance, in 1985-86, 34.310 million couples were currently sterilised and of these 4.899 million were sterilised newly in that year. Hence, the

balance 29.411 million (34.310-4.899) were sterilised earlier, that is sometime before 1985-86. They were all currently sterilised in 1984-85 and in fact were carried forward to 1985-86 from out of the 31.494 million currently sterilised in that year. The balance 2.083 million (31.494-29.411) passed out because of mortality and aging. Hence, the rate of attrition in 1985-86 is given by (2.083/31.494)×100' = 6.61 per cent.

It will be noticed that the rate of attrition thus derived has increased over the years possibly with some acceleration. This is, to be expected. As a larger and larger proportion of eligible couples is sterilised, the sterilised will tend to have an increasingly larger proportion of older couples who will soon pass out by the process of attrition. This increases the rate of attrition. This increases the rate of attrition. This in a sense is inevitable. But, it means that as the proportion of eligible couples effectively protected increases, its impact on the birth rate is not proportionate; it begins to obtain diminishing returns so to say.

Consider for instance the percentages of eligible couples effectively protected and the birth rates for the following few years (Table 6). It will be noticed that between 1970-71 and 1976-77, the percentage of eligible couples protected rose by 13.1 percentage points from 10.4 to 23.5. There is a corresponding decline in the birth rate by 3.9 percentage points. The relation between the two is not exact nor is it straightforward. We shall presently examine it a little more closely. From 1976-77 to 1981-82 the percentage of protected couples remained practically unchanged and we should not be surprised that the birth rate also remained unchanged.

TABLE 7. PERCENTAGE OF PROTECTED COUPLES AND BIRTH RATE

Year	Birth Rate Per 1000 Population	Population (million)	Eligible Couples (million)	Effectively Protected Couples (million)	Birth Rate Per 1000 Unprotected Couples
(1)	(2)	(3)	(4)	(5)	(6)
1970-71	36.9	546.953	94.489	9.853	238.46
1976-77	33.0	616.537	107.389	25.258	247.72
1984-85	32.7	745.796	126 721	40.685	283.46

TABLE 8: BIRTH RATES PER 1000 UNPROTECTED COUPLES

State	1972-73	1976-77	1984-85	1984-85/1976-77 (Per Ceni)
Andhra Pradesh	202.02	244.63	240.71	98.40
Assam	233.81	272 58	306.91	112.59
Bihar	NA	187 12	243.76	130.27
Gujarat	242.60	309.22	356.98	115.45
Haryana	297.45	380.04	427.72	112.55
Karnataka	188.76	205.96	262.87	127.63
Kerala	245.09	264.26	274.80	103.99
Madhya Pradesh	222.83	286.35	311.30	. 108.71
Maharashtra	204.31	245.41	352.32	143,56
Orissa	220.78	230.07	252.33	109.68
Punjab	261.85	312.91	406.86	130.02
Rajasthan	217.18	222.64	274.92	123.48
Tamil Nadu	203.23	249.88	231.71	92.73
Ultar Pradesh	240.49	264.77	255.80	96.61
West Bengal	NA	289.90	266.18	91.82
India	233.08	248.45	283.47	114.10

TABLE 9: NUMBER OF BIRTHS AVERTED BY FAMILY PLANNING AND ESTIMATED BIRTH RATE IN THE ABSENCE OF FAMILY PLANNING

Year	Births	Birt	h Rate
(1)	Averted Per 1000 Pop (2)	SRS (3)	Without Family Planning (4)
	·-·	······································	
1970-71	3.54	36.8	40.34
1971-72	3.87	36.9	40.77
1972-73	4 47	36.6	41.07
1973-74	5.16	346	39.76
1974-75	511	34 5	39.61
1975-76	5.16	35 2	40 36
1976-77	6 00	34.4	40.40
1977-78	7 97	330	40.97
1978-79	7 59	33.3	40.89
1979-80	7 39	33.7	41.09
1980-81	7 26	33.7	40 96
1981-82	7 36	33 9	41 26
1982-83	7 56	33 8	41 36
1983-84	8 58	3 <b>3</b> 7	42 28
1984-85	9 84	339	43 74

During the five years from 1976-77 to 1981-82, the family planning programme did not quite come to a standstill but did not do more than keeping pace with the growth in population; no wonder that the birth rate did not come down. Since then the programme seems to have picked up; the percentage of protected couples increased by 8.4 percentage points from 23.7 to 32.1. But surprisingly the birth rate came down by just about one percentage point from 33.8 to 32.7.

Let us examine a little closely the relation between the percentage of protected couples and the birth rate. The birth rate in 1970-71 was 36.9 per thousand. It means that there were 36.9 births per 1000 population. But babies are born to eligible couples and for that matter to unprotected couples. Hence, we may relate the births to unprotected eligible couples and derive number of births per unprotected eligible couple. We shall do this for three years 1970-71, 1976-77, and 1984-85 (Table 7).

Thus, the birth rate per 1000 unprotected couples has been rising. It was 238.46 in 1970-71, 247.72 in 1976-77, and 283.46 in 1984-85. This means that as the proportion of effectively protected couples among the eligible couples increases, in other words as the proportion of unprotected couples decreases, the unprotected couples in their composition in respect of age, parity, and other relevant circumstances belong to a progressively more reproductive group than' previously. This is to be expected. As the programme advances and a larger proportion of the eligible couples accept contraceptive protection, it is the couples who by their age and parity belong to the less reproductive group who selectively opt for contraception. Compensation paid to the acceptors of sterilisation (Rs 190 for vasectomy and Rs 210 for tubectomy) and of IUD (Rs 15 for women with two or fewer shildren and R\$ 12 for others) may also have something

to do with this phenomenon. Whatever the reasons, it means that the increasing proportion of eligible couples effectively protected begin to give diminishing returns in terms of its Impact on the birth rate.

In Table 8, we present birth rates per 1000 unprotected ellgible couples in different states for three years 1972-73, 1976-77, and 1984-85. For brevity, we shall confine attention to the estimated birth rates per 1000 unprotected couples for the two years 1976-77 and 1984-85. In the last column, we have expressed the birth rate In 1984-85 as a percentage of the same in 1976-77. It will be seen that in only four states the birth rate per 100 unprotected couple did not increase between 1976-77 and 1984-85. These are: Andhra Pradesh (98.40), Uttar Pradesh (96.61), Tamil Nadu (92.73), and West Bengal (91.82). It means that in these states the programme was appropriately directed to couples belonging to relatively higher reproductivity. This is particularly true of Tamil Nadu and West Bengal. This cannot be said of the other states. The worst failure from this standpoint is to be found in Maharashtra (143.56), Bihar (130.27), Punjab (130.02), Karnataka (127 63), and Rajasthan (123.48) In these states, the performance in terms of percentage of eligible couples effectively protected is to a large extent multifled shy Inappropriate direction of the programme.

For these reasons, the percentage of eligible couples effectively protected is not useful to judge the impact of the programme on the birth rate. For this purpose, the department of family welfare estimates what are called number of 'births averted' by the programme. Clearly, this must take into account the composition by age, parity, etc, of the protected couples. In Table 9, we give in col 2, the number of births averted per thousand population each year. In col 3 is given the SRS estimates of birth rates. For instance, in 1970-71, 3.54 births per 1000 population were averted and the SRS estimate of birth rate was 36.8 per thousand population. If we add the two we get an estimate of the birth rate as it would be in the absence of family planning. These are given in col 3. It will be noticed that, in 11 out of the 15 years, the birth rate 'without family planning' lies between 40.34 and 41.36 which is about what the birth rate was during 1951-71 before the official family planning programme was intensified. The four exceptional years outside this range are 1973-74 and 1974-75 on the lower side and 1983-84 and 1984-85 on the higher side. The SRS estimates of birth rates in 1973 and 1974

TABLE 10 EXPLIDITURE ON FAMILY PLANNING PROGRAMME PER ELIGIBLE COUPLE

					( ampero,
1980 81	1981-82	1982-83	1983-84	1984-85	1985-86
12 54	16 41	21 33	35 97	34 64	32 01
6 39	7 19	14 18	19 46	30.24	33 98
6 89	10 22	15 93	16 55	18 97	23 47
17 13	27 17	32 87	45 47	47.81	53 60
12 18	14 09	30 08	33 19	52.50	49 24
12 08	14 18	18 87	23 57	28.79	48 41
12 81	18 06	21 24	25 03	50.71	59.59
9 14	11 96	17 75	21 67	28 51	31 20
11 52	15.67	23.81	32.69	32 81	33 84
17 34	24 90	35 40	42.52	37.42	35.17
12 33	18 98	33.98	31 65	30.78	43.81
10 11	13 22	16 51	23 08	25.03	30 87
t0 72	12 38	16.39	26 50	23.64	26 86
8 87	12 34	23.10	28.64	30.75	26.99
9.05	10.28	15.19	25.71	21.02	24.30
12 14	16 26	23.75	30.87	33.46	37.07
	12 54 6 39 6 89 17 13 12 18 12 08 12 81 9 14 11 52 17 34 12 33 10 11 to 72 8 87 9.05	12 54 16 41 6 39 7 19 6 89 10 22 17 13 27 17 12 18 14 09 12 08 14 18 12 81 18 06 9 14 11 96 11 52 15.67 17 34 24 90 12 33 18 98 10 11 13 22 to 72 12 38 8 87 12 34 9.05 10.28	12 54	12 54	12 54         16 41         21 33         35 97         34 64           6 39         7 19         14 18         19 46         30.24           6 89         10 22         15 93         16 55         18 97           17 13         27 17         32 87         45 47         47.81           12 18         14 09         30 08         33 19         52.50           12 08         14 18         18 87         23 57         28.79           12 81         18 06         21 24         25 03         50.71           9 14         11 96         17 75         21 67         28 51           11 52         15.67         23.81         32.69         32 81           17 34         24 90         35 40         42.52         37.42           12 33         18 98         33.98         31 65         30.78           10 11         13 22         16 51         23 08         25.03           10 72         12 38         16.39         26 50         23.64           8 87         12 34         23.10         28.64         30.75           9.05         10.28         15.19         25.71         21.02

TABLE 11: EXPENDITURE PER NEWLY PROTECTED COUPLE

(Rs)

State	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86
Andhra Pradesh	480.96	539.96	580.85	948.98	876.38	697.91
Assam	710.73	543 56	713.50	466 91	727.62	852.38
Bihar	852.99	797.90	588.92	536.97	840.25	812.11
Gujarat	434.10	599.79	712.86	958.50	847.85	757.98
Haryana	578.11	517.95	636.11	528.53	778.29	633 85
Karnataka	448.76	419.33	463.13	552.88	606.77	801.11
Kerala	381.90	498.83	508.91	482.48	849.83	1057.87
Madhya Pradesh	612.37	507.47	496.60	556 77	883.88	717.65
Maharashtra	375.12	331.83	399,21	409.21	492.26	552.18
Orissa	800.66	982.36	1061.35	1046.85	1128.75	836 10
Puniab	447.91	460 55	445.44	383.98	383.50	565.22
Rajasthan	566.52	552.10	606.02	762.94	1035.42	691.36
Tamil Nadu	577.90	510.11	494.67	436.98	368.42	406.25
Uttar Pradesh	1216.85	1016.06	937.03	1178.09	1294.98	672.89
West Bengal	336.43	375.76	457.21	576.48	643.28	747.67
India	595.78	609.54	639.15	696.10	803.82	755.92

TABLE 12: COST PER BIRTH AVERTED

Year	Number of Births Averted (million)	Expenditure on Family Planning (Rs million)	Cost Per Birth Averted (Rs)		
1980-81	4.9329	1408.98	285.63		
1981-82	5.1059	1930.19	378.03		
1982-83	5.4709	2883 19	527.00		
1983-84	6.2101	3829.83	616.71		
1984-85	7.2686	4240 65	583 42		
1985-86	8 1204	4798 08	590.87		

are known to have been affected by the disruption in the SRS, particularly suspension of supervision, during these years. Regarding 1983-84 and 1984-85, judging by the reported figures of births averted, the family planning programme was sharply stepped up during these years. But judged by the SRS estimates of birth rates, this stepping up has had little effect on the birth rate. For these two years, either the SRS estimates of birth rates or the estimates of births averted are over-estimates. For other years, the SRS estimates of birth rates and the estimates of births averted appear in reasonable agreement. Hence, it seems that the estimates of births averted may be used for judging the impact of the family planning programme on the birth rate.

Unfortunately, the estimates of births averted are not published statewise. Hence, to judge the impact of the programme on the birth rates in different states, we shall have to fall back on the estimates of percentages of eligible couples effectively protected taken in conjunction with the concomitant increase in the birth rates per 1000 unprotected eligible couples in the respective states. Time and space does not permit us to undertake a full analysis on this basis.

Before concluding we shall examine briefly the intensity of the programme in different states as judged by the annual expenditure on the same. It will be appropriate to relate the expenditure to the number of eligible couples. In Table 10 we give the expenditure per eligible couple in different states for six years from 1980-81 to 1985-86. The figures for the last three years are provisional and subject to minor revision.

In the aggregate, the expenditure on family planning increased from Rs 12.14 per eligible couple in 1980-81 to Rs 37.7 in 1985-86. This is more than three-fold increase in six years and cannot be attributed to increase in prices, during this period prices increased by only about 25 per cent. Clearly the family planning programme has been greatly stepped up.

But the application of the expenditure in different states is still very uneven, In 1985-86, the expenditure per eligible couple varied from Rs 59.59 in Kerala to Rs 23.47 in Bihar. On the higher side are Kerala (Rs 59.59), Gujarat (Rs 53.60), Haryana (Rs 49.24), Karnataka (Rs 48.41), and Punjab (Rs 43.81). On the lower side are Uttar Pradesh (Rs 26.99), Tamil Nadu (Rs 26.86), West Bengal (Rs 24.30), and

Bihar (Rs 23.47). The policy rationale and the administrative mechanics of these large differences are not clear.

The efficacy of the experiditure may be judged by the cost per eligible couple effectively protected newly during the year. This is annual achievement in terms of number of effectively protected couples and is not the same as the number of currently and effectively protected couples. The latter is derived by accumulating annual achievement discounted for annual attrition. In Table 11 we give the expenditure per newly protected couple in different states for six years from 1980-81 to 1985-86.

As is to be expected, the expenditure per newly protected couple varies a great deal from state to state In 1985-86, it was Rs 406 25 in Tamil Nadu and Rs 1057 87 in Kerala Both appear rather exceptional If we leave these two states, the range of variation is much narrower though not inconsiderable It is Rs 565 22 in Punjab and Rs 852 38 in Assam; a difference of about 50 per cent In the aggregate, the expenditure per newly protected couple increased from Rs 595 78 in 1980-81 to Rs 755 92 in 1985-86 This is an increase of 26 88 per cent and is just about the same as the rise in prices But, as already noted, the newly protected couples are seen progressively to belong to the less reproductive groups Consequently, the cost of averting a birth must have been increasing over the years

This may be seen more directly. The estimates of number of births averted are

available only in the aggregate for India and we may work out the cost of averting a birth. This is shown in Table 12.

Thus, the cost per birth averted has increased from Rs 285.63 in 1980-81 to Rs 590.87 in 1985-86. This is more than doubling and is more than can be justified by increase in prices. Clearly, there is need for a scrutiny of the expenditure on the family planning programme. In particular, it is necessary to examine the advisability of continuing the compensation being paid for sterilisation without discrimination. At present. Rs 210 are paid for tubectomy and Rs 190 for vasectomy without asking how many children the couple has This constitutes almost one-third the expenditure on family planning Apart from the question of cost, the compensation payments seem to introduce undesirable motivations in the programme and are at least partly responsible for directing the programme to progressively less reproductive groups As a first step, it may be worthwhile making a distinction between couples with two or fewer children and others

The number of births averted in 1985-86 is estimated to be 8 1204 million. The population in that year is estimated at 754 million. It means that in 1985-86, the number of births averted amounted to 10 77 births per thousand population. Taking the birth rate in the absence of family planning programme to be 40 75 per thousand, the birth rate in 1985-86 should be around 30 0 per thousand. The SRS estimates do not

confirm this. It is imperative therefore to undertake a serious enquiry into the SRS estimates of birth and death rates and much more into the entire reporting system of the family planning programme, particulary the derived estimates of number of effectively protected couples and the number of births averted. It should not happen that the truth about the population of the country can be known only by a decennial count post facta.

There is of course no alternative to family planning programme. To keep pace with the declining death rate and in fact to reduce the gap between the two, the birth rate must be reduced by about one per thousand every year. It is obvious that its cost will increase progressively There are three factors. First, to reduce the birth rate by one per thousand every year, the number of births averted per thousand population must be increased by one every year; if it was 11 per thousand in 1985-86, it must be 12 per thousand in 1986-87 and 13 per thousand the next year In the meanwhile, the population increases so that the number of births to be averted increases even by more If the number of births averted in 1985-86 were say 8 million, the number of births to be averted in 1996-87 will be not just 10 per cent more but say 12 per cent more to compensate for the fact that the population would have increased by say 2 per cent Finally, for reasons already explained the cost of averting a birth will inevitably increase progressively Whatever the cost, the family planning programme must be pursued steadily But it must perform



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## Democracy and the Opposition in India

#### Rakhahari Chatterji

Despite visible centralising tendencies, a steady and significant process of decentralisation of political power has taken place in India over the last four decades. One has only to look at the right indicators to discern this process of decentralisation. This process is so well rooted in society that any move to counter it will weaken rather than strengthen the political system. This paper argues that the most important thing now is to institutionalise this decentralisation through effective procedures for power-sharing.

THE future of democratic institutions in India has been a subject of apprehensive discussion among political scientists Interested in India for at least as many years as India has been a representative democracy. Iraditionally, there have been optimists like W H Morris-Jones and Richard Park as well as pessimists like Selig Harrison. But, of late, specially since the declaration of emergency by the late prime minister Indira Gandhi, this concern with India's democratic future has reached nearly pathological proportions among many political scientists, both Indian and foreign. Research outputs in the form of papers and books proliferate, mostly dealing with the applicability of Huntingtonian notions of deinstitutionalisation and political decay, though, more often than not, without mentioning Huntington. Such works talk about overcentralisation of the polity and failure to work the federal principle on the one hand, and increase in regionalisation and strengthening of centrifugal, even separatist forces on the other: about personalism and authoritarian control of the Congress Party by the so-called 'High Command' on the one hand, and loss of central control over Congress chief ministers and factional bosses in the lower echelons of the party leadership within the Congress on the other; about reemergence of the Congress Party and reestablishment of 'one party dominance' system on the one hand, and collapse of the party system on the other.

Not that any of these are unreal, even though somewhat contradictory; nor that these have not happened in some proportions. But the complex and bizzare happenings in political India, which Morris-Jones has recently labelled as a process of 'political churning', seem to have thrown intellectual attempts to comprehend them systematically completely out of gear with the result that political analyses are boiling down to unhelpful opinion-vending or responding to changing political climate.

The contention of this paper is that despite visible centralising tendencies, a steady and significant process of decentralisation of political power has taken place in India over the last four decades. One has only to look at the right indicators to discern this process of decentralisation. This process is so well-rooted in society that any move to counter it will weaken rather than strengthening the political system. The paper argues that the most important thing new is to institutionalise this decentralisation through effective procedures for

power-sharing.

The first section of this paper will critically examine some attempts, especially Kothari's, at understanding Indian politics. The second section will examine the strength of the opposition as a major indicator of the process of decentralisation of political power in India. In the third section, some tentative policy suggestions for institutionally incorporating the decentralisation process will be offered.

I

In a recent paper on India's democratic future, the eminent American historian of south Asia, Ainslee Embree says:

Even though India has been a functioning political democracy, and a remarkably open society with a free press and vocal, if not always effective, opposition parties, nonetheless, an authoritarian regime would not go against India's historical experience or social values.

He does not think democracy will fail to survive in India because India is poor, but he says, it is rather the weakness in India of what may be characterised as 'ancillary institutions', that is, those forms of corporate and community life that have sufficient independence from the state to have a considerable measure of autonomy,<sup>2</sup> that may create problems for survival of democracy.

By 'ancillary institutions' Embree means institutions such as the judiciary, the universities, the press, the political parties, trade unions, business and religious organisations and professional societies. Embree feels that Indira Gandhi was correct in assuming that the ancillary institutions were either incapable of opposing authoritarian take-over or were positively in favour of such a move, for "the regime encountered little resistance from the ancillary institutions of political democracy".<sup>3</sup>

My purpose here is neither to write a critique of Embree nor to attack his arguments particularly. Rather, it is merely to show how such writings influenced by a general concern for the future of political democracy in India, even when coming from such an eminent scholar as Embree, may be either too facile or quite false. The first part of Embree's comment is non-demonstrable opinion, and the second part is largely untrue.

Let us refer to the second part of his statement first, and let us take the case of the judiciary as an ancillary institution, for instance. If we look at a book called *Indira Gandhi and the Constitution* by P Sood, an ardent admirer of Indira Gandhi, we see

how the battle between Indira Gandhi and the judiciary went on when she wanted to twist the constitution to suit her view of what India needs most. The Rudolphs in their paper on 'Parliamentary Sovereignty vs Judicial Review'<sup>5</sup> have indeed shown the same battle.

With reference to Embree's point we have to remember further that the 'Emergency' was quite constitutional under the provisions of the existing constitution at that time, and therefore, the ambivalence of the different groups, 'ancillary institutions' in Embree's words, in choosing the manner of opposing it. Not that the Emergency was gracefully accepted by the judiciary, the press, the parties, or trade unions or the academia. Far from it. Yet, even under the Emergency the belief in constitutionalism was maintained, more by the opposition parties and forces than by anybody else, despite Indira Gandhi's oft-mentioned criticism of the opposition as disruptive and anti-national. And above all, if we remember the context of the Emergency, it should be clear to anyone that it took place not because India's ancillary institutions were inactive or not functioning, but because they were functioning too well.6

We have said that Embree's view that the Emergency is the signpost of India's future is too opinionated. In support of our criticism we will simply refer to the opinion of another veteran India analyst, Myron Weiner, appearing in the same volume. With reference to the 'dangerous decades' sort of thesis, Weiner, in contradiction to the 'could have beens' writes, "But whatever the future holds, there still remains the historic facts that the Hindu-Muslim communal struggles of the 1940s have subsided, the linguistic movements of the 1950s dld not result in secessionist wars, the slow pace of economic growth did not give rise to revolutionary movements, the green revolution did not turn red, and the alliances between the impoverished landless and the intelligentsia and the left parties have not been forged. While there are many political movements in India which have taken a violent form, there are no fascist, revolutionary communist, religious fundamentalist, or secessionist movements with a significant popular base country's political institutions and social order."

That is, for Weiner, as far as the future can be seen, if it does not indicate a stable democracy, it does not indicate strengthening of authoritarianism either. But then, it such are the opinions of two seasoned

observers of Indian politics, what can the student of political science learn from such opinionated futurology of India?

Political research on India by Indian scholars has been very often affected by the polltical climate, or climate of opinion. While it may appear that by allowing oneself to be inspired by the prevailing political climate one demonstrates one's Intellectual vigour, adaptability and youthfulness, in fact, such changing political climates usually have a myopic effect on the intellectual vision of the writers. This has been true not only of such political scientists as Mahendra Prasad Singh, professor at the Delhi University, who, in their zeal to please 'the powers that be' even forget to use decent language in describing opposition activity,8 but even of a scholar like Rajni Kotharı. İn this connection, a re-examination of the three crucial papers by Kothari may be instructive. The papers we have in mind are: 'The Congress System in India' (1964), 'India: Oppositions in Consensual Polity' (1973), and 'The Crisis of a Moderate State and the Decline of Democracy' (1983)-each being a summary statement in academic form of his viewpoint of Indian politics. We must briefly review these before we go on to our central theme. Kothari is one of the very few Indian political scientists who have constantly tried to grasp the complex reality of contemporary politics and this is what makes it so important to reexamine his ideas over the years. While we will see certain serious contradictions in the three abovementioned papers. Kothari seems to stand by all three of these as his major interpretative writings on Indian politics.

The first piece on the 'Congress System' is an excellent portrayal of the party structure in India during the first two decades after independence. No one could disagree with Kothari that during these years the Congress Party under Nehru's leadership indeed carried the historical consensus on to the present, and therefore, the 'party of dominance' was indeed the 'party of consensus', not a party ruling on the basis of bureaucratic or military power.9 This 'one party dominance' by the party of consensus was made feasible, according to Kothari, by a universal acceptance by all the parties and non-party elites of a 'margin of pressure' where the 'parties of pressure', i e, the opposition parties, as well as dissident Congress factions could jointly operate to bring occasionally manifest the usually 'latent' counterveiling power and keep the party of consensus responsive to public Interest. 10 It was this positive acceptance of the 'pressure function' of the opposition by Nehru's Congress that led Kothari to say in 1964, "the opposition is given an Importance which is out of proportion to lts size".11

The problem with this paper by Kothari is not that its description of the then party system in India was wrong, or even inadequate. The problem, however, is that it claimed the status of a model for a term that was merely descriptive, namely, the 'one party dominant system'. At the end of that paper Kothari wrote,

Meanwhile, the system of one-party dominance described by us here is an interesting addition to the present typology of party systems, and one that is also, on Indian experience, a viable model of political organisation.<sup>12</sup>

If the words 'typology' and 'model' in the above sentence are to be taken seriously, and we feel Kothari meant them to be taken seriously, it seems that Kothari felt that already by 1964, the one party domlnance system with its structural and functional components had received such a high degree of stability in India that it could equated with such stable patterns as the Westminster model of democracy or the presidential system of government.

It is this frame of mind which led Kothari in his 1973 paper on the opposition in India to heap upon Indira Gandhi enormous praise for excellently working the one-party dominance system of the past decades even in the 1970s. Kotharl wrote in his 1973 article.

li was ihis system of one party dominance, providing a somewhat different framework of compeniion from those of western democracies, which enabled the nation to grapple with simultaneous problems of integration and development.

"As the authority and legitimacy of the system spread," the various demands "for participation, resources and recognition," for "policy changes and administrative action crystallised and found their place in the framework of one party dominance, either as part of the factional network within the Congress Party or as pressures from outside, exerted individually or through other political parties." 13

This system of one-party dominance which was working in India from 1952 through 1973, as Kothari saw it, led, according to him, "to a sense of efficacy among the opposition parties, despite their chances of assuming governmental power for almost twenty years." 14

Kothari was so impressed by the novelty of Indira Gandhi's leadership that on reflection he felt that even Nehru was guilty of showing excessive 'firmness' of authority, which flowed from his 'dominant personality' and which ran against the Congress Party's essential function, under the 'one party dominant system' of course, of building channels of communication between the people and the government. 15 Contrarily, he found the Congress, under Indira Gandhi's leadership, had received "a considerable organisational boost" by committing itself to a policy of democratic decentralisation, and to diffusing the egalitarian ideology. 16 "Indira Gandhi's emergence as a champion" of the deprived groups (e g, harijans and other depressed castes) had arrested possibilities of political fragmentation, thought Kothari. 17

Kothari was so enamoured of Indira Gandhi's style of functioning at this time and his feeling that under Indira Gandhi the Congress was finding its true spirit, was so strong, that in this paper on the opposition in India he mostly discussed the role of the

rejuvenated Congress rather than the problems of the opposition, and further, he even thought it wise to Issue a warning to the opposition. He said, while oppositional activity is welcome Insofar as it legitimates the system, "it can also prove dysfunctional... if it does not take place around the structures... personnel, and symbols of a dominant partner in the system." 18

Thus, his idea of 1964 that he has indeed discovered a model of Indian party system got the better of him in 1973, and led him to ignore all the various other possibilities that were gradually showing their heads during the past three-four years and what any critical and systematic analysis of the Indian political scene would have clearly revealed.

In both of these papers Kothari's essential functionalism was very apparent. Thus, Nehru's leadership was there exactly when it was necessary; Kamraj plan was adopted when it could not be done without; Indira Gandhi appeared as leader exactly when she was needed; Kamraj plan did work well because the 'Kamrajed' leaders taking hold of the central Congress Party organisation created difficulties for Indira Gandhi's assumption of prime ministership; and above all, the Congress was predominant because that was necessary for one party dominance His every description was an affirmation; every event had the invisible touch of necessity.

Finally, let us refer to Kothari's 1983 article, called 'The Crisis of the Moderate State and the Decline of Democracy'. This article is not only self-contradictory, but it also contradicts his earlier writings we have just discussed, although surprisingly Kothari seems to be unaware of it.

The developments in India during 1947 and 1967 Kothari now labels as indicative of a 'moderate state' which, according to him, necessarily led to certain contradictions and crises resulting from the extensions in popular mobilisation and participation facilitated by the moderate state itself, and these contradictions and crises, in turn, challenged the institutional set-up of the moderate state. On the one hand, Kothari eulogises the Indian leadership for founding a moderate state in India during the first two decades; on the other hand, he also eulogises Indira Gandhi arguing that she did the right thing by breaking down its institutional structure when she did, her only fault was that "she did not follow up her decisive victory (against the 'Syndicate' and the 'Grand Alliance')... by a new institutional strategy."19 Kothari does not bother to elaborate what such a new institutional strategy could have been which would have better accommodated the contradictions arising out of the great surges in popular mobilisation and participation unleashed by the erstwhile moderate state in India.

But not only this self-contradiction. Kotharl contradicts his own 1973 paper (although he draws a number of sentences from both of his 1964 and 1973 papers here) when he writes in 1983 that a democratic polity operated in India "from 1947 till

1967, and in parenthesis he adds, "and in an attenuated form till 1975;" Nothing of this post-1967 qualification was there in his

1973 paper.

Rather than eulogising Indira Gandhi as a great leader committed to "democratic decentralisation" and "diffusing the egalitarian ideology," as he did in 1973, Kothari now refers to her leadership as being "unable to disaggregate demands through a diffuse and decentralised framework of governance," as creating "a new genre of statism" dismantling all the "mediating structures" and greatly weakening "the intermediate buffers between the centre and the various peripheries." 21

This somewhat long discussion of Kothari's three significant writings is primarily meant for showing how political analysis, when affected by political climate, can not only miss significant underlying political tendencies and forces, but also become selfcontradictory over time. The overt and covert centralising forces unleashed by Indira Gandhi during the first decade of her prime ministership and also the fact of her restoration in 1980 tend to make political analysts of India overconcerned with and oversensitive to the centralising tendencies, and in turn, lead them to underrate, if not altogether overlook, the more important forces which cry for decentralisation and sharing of power, forces which are more likely to shape the events of the future. A correct political analysis should not only diagnose those forces, but should also try to link such diagnosis with policy

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The major force crying for decentralisation and sharing of power in India is the opposition. The opposition in India is most misunderstood not only by the ruling ellte in India who, of course, have a vested interest in publicising their misunderstanding of the opposition, but it is also misunderstood by journalists' and the academicians. How often, after every general elections excepting that of 1977, the opposition has been described by the media as 'decimated', or 'wiped out'! Similarly, the academicians have for long described the opposition as weak, ineffective, hopelessly divided, and completely incapable of playing the destined role of 'His Majesty's shadow government'. And yet, curiously, it was the great fear of the opposition that led Indira Gandhi to mount a severe attack on the so-called 'Grand Alliance' in her electoral campaign of 1971 deviating some distance from the Nehruvian tradition of a positive election campaign based on what the Congress could do rather than on maligning the opposition. It was the fear of a swelling opposition again that led Indira Gandhi to resort to the emergency when even without it she could get the court's verdict on her electoral practices of 1971 abrogated (in fact, the way it was abrogated through the parliament did not presuppose an emergency). And finally, how can we explain the somewhat dishonest campaign that the Congress Party mounted by blaming the opposition of colluding with Sikh separatism in December 1984 without reference to the same fear of the opposition?

In fact, since the Congress split of 1969, or possibly since its electoral debacle of 1967, the Congress has suffered from a sieze mentality or from a fear psychosis that it is about to be displaced from power by an opposition combination turning the fragmented votes into pluralities. There is a clear contradiction, therefore, between the political analysts' view of the opposition in India and of the national ruling elites' perception of it. This calls for some explanation.

The standard practice in estimating Congress and opposition strengths in Indian polity has been to compare their electoral strengths. If we exclude both the 1977 and the 1984 elections as exceptional, we find almost consistently a two-thirds Congress victory of the parliamentary seats in all national elections, and the one-third opposition seats divided among a host of parties. This indeed reveals a hopelessly weak and divided opposition. Even when political scientists, like Paul Brass, find a strong decentralising trend over time indicated by such things as failure to impose Hindi on the non-Hindi speaking states of the south, or increasing financial allocations to the states over the years, or increasing hold of the 'national' opposition parties on popular votes, and even when they are prepared to interpret increasing incidence of president's rule as an indicator of the strength of the decentralising forces and a weakness of the centralising forces, they still reject the strength of the opposition on grounds that (1) the 'national' opposition is national in name only, (2) the so-called national opposition parties' vote share is highly skewed in distribution across states, and (3) the parties are highly 'fragmented'.22

This view of the opposition in India is heavily influenced by an approach which is too institutional; it is dictated by an understanding, and a resulting expectation, of the functional correlates of the opposition in Anglo-American democracies. Faithful application of such an institutional approach leads commentators such as James Manor to contradictory findings. Manor finds, for instance, strong centralisation and an all-powerful prime minister under Indira Gandhi's regime; at the same time he finds Indira Gandhi's government as weaker than the Nehru government, as indecisive and immobile, unable to control Congress chief ministers in the states or the rank and file of the party.23 Yet, this contradiction

remains unresolved.

An institutional approach to the study of

the opposition in India does not lead to an adequate understanding of it, or of the political system for the opposition in India so far has not been so much institutional as politico-environmental. Paul Brass makes an important point when he says, "the process of consolidation of power in India is inherently tenuous and that power begins to disintegrate immediately at the maximal point of concentration". But why must this happen? This happens because there is

à threshold of tolerance beyond which the opposition, whatever its institutional strength In parliament, becomes highly reactive in the political process and in the broader societal environment and tries to undo the unwholesome consolidation of power at the centre.

#### POLITICO-ENVIRONMENTAL OPPOSITION

To understand the sources of strength of this politico-environmental opposition in India, a few points need to be remembered. First of all, it is necessary to remember, as it has so often been pointed out by so many analysts, that the Congress Party has never received as much as fifty per cent of the votes in any parliamentary election (in 1984 it came very close to it, in fact, it touched it if we take only the seats contested by it in calculation; but, as we have said, we are excluding both 1977 and 1984 elections as exceptional). If we leave out 1977 and 1984 elections, in all the other six elections since 1952 the Congress received on an average 44 per cent of the popular votes but captured 68 per cent of the Lok Sabha seats. That is to say, on an average, 56 per cent of the actual voters did not vote for the Congress in all these six elections even though the Congress government at the centre could do almost anything it wanted with a two-thirds parliamentary majority. If we add to this roughly about 40 to 45 per cent of the eligible voters who usually do not vote in elections, we will find an overwhelming number of Indian citizens unrepresented by Congress since independence (as a matter of fact, in all the elections to date, excepting 1984 elections, there is a clear negative correlation between voter turnout and popular votes received by the Congress in parliamentary elections.<sup>25</sup>

Secondly, if we look at the popular vote that the 'national' opposition parties, taken together, are receiving we will find that their strength is constantly on the increase at the hustings. The popular vote for the combined opposition has increased from 29.57 per cent in 1952 to 42.39 in 1980 as against Congress(1)'s 42.68 per cent in the same election. Looked from this angle, Indira Gandhi's come-back in 1980 was not spectacular at all, as it has been pointed out both by Mirchandni and Myron Weiner on the basis of analyses of electoral returns on the nation as a whole as well as by states and regions and minority groups like Muslims and scheduled castes. 26 Even in 1984 election onslaught, this combined opposition received above 30 per cent of the popular votes, which is not negligible at all.

Again, institutionally speaking, this constant increase in opposition electoral votes between 1952 and 1980 does not mean anything, as the opposition is divided and support for different opposition parties across states, though somewhat stable, is highly uneven. But looked at politicoenvironmentally, it means more and more people feel that opposition parties focus on issues which are significant and that they are worth supporting. This indicates a solid

block of popular support base for the opposition parties which can be mobilised between elections.

Thirdly, this support base is not highly voiatile either, Mirchandni and Murthi find, for instance, that even in the 1984 elections the votes lost by the non-communist national opposition to the tune of 12.95 million did not go to the Congress(I), except for a small fraction (0.5 million) of it. The Congress(1) benefited from new votes: of 42.28 million new votes, the latter party obtained 33.93 million, i e, 3/4th of the increase.27 If this estimate is correct, it means that voters, even when they are not inspired to vote for the opposition for whatever reason, do not immediately cross the floor to vote for the Congress. That is, they are interested in punishing the opposition for their failings but are disinclined to reward the Congress for opposition failure. That is to say, their support for the opposition is suspended for the time being, not withdrawn.

Fourthly, if we look at the distribution of electoral support for the Congress (and later, the Congress(1)) across states, we find that in all the six parliamentary elections between 1952 and 1980 (with the exception of 1977) it scored much less than its national average of 44 per cent of popular votes in nearly half of the states consistently.

Finally, if we look at state election results, we find that despite Indira Gandhi's election campaigns to the effect that people in the states would be better off if they elect the ruling party at the centre for their respective states, the voters dld not buy the argument and went on electing non-Congress parties in an increasing number of states over the years. If we compare, for instance, the number of parties ruling the states in 1965 and in 1985, we are struck by the number of states ruled by non-Congress parties now, which was certainly inconceivable in 1965. Right now, for instance, ten states, namely Assam, Trlpura, Sikkim, West Bengal, Andhra, Tamil Nadu, Karnataka, Kerala, Haryana and Mizoram are being ruled by non-Congress parties with Jammu and Kashmir having weak to nearly non-existent Congress support base. And in Bihar and UP support for non-Congress parties (and more recently, for Congress(1) dissidents) is fairly strong. Against all her wishes and despite all her centralising attempts, Indira Gandhi had to accept this gradual diminution of Congress strength in the states. And all attempts to tamper with it-sometimes because of her own desires, sometimes because she was pressured by state Congress parties and leaderships, have been singularly counter-productive.

This strength of the opposition in India is what I call politico-environmental; that is, it is rooted in the political process and in the broader societal environment. But it fails to have institutional representation, specially at the national level, as it is negatived by the multiplicity of parties as much as by the electoral system which is majoritarian. It is the single-district plurality system ensuring the victory of the 'first past the post' that keeps the majority of the voters unrepresented in

a national government which is supposed to be 'representative'. It is this system which permits the predominant party, that is, the Congress, to enjoy an overwhelming pariiamentary majority with electoral support of a minority of voters.

But the dangers of this majoritarian system are many. First of all, it creates great uncertainties in election results by denying any stability to the relationship between popular votes and parliamentary seats and this affects the fortunes of all parties. For instance, with a loss of 3 per cent popular votes between 1957 and 1962, the Congress lost only 10 parhamentary seats, but with a loss of 4 per cent of popular votes between 1962 and 1967, it lost 78 parliamentary seats. And a loss of 64 per cent in electoral votes between 1971 and 1977 led to a loss of 200 seats for the Congress in 1977.28 Such volatility in the relationship of votes and seats applies to all parties.

But the plurality system creates a number of more difficult problems as well. Since the majority of the electorate are clearly and consistently not with the government at the centre, the ruling party at the centre tends to consider the opposition as a great threat to it—a threat which, for it, outweighs whatever functionality the opposition may have for the democratic political system. In fact, as we have said, it creates a fear psychosis in the elites of the ruling party. Consequently, the ruling party develops a vested interest in opposition disunity and trles to weaken the opposition at every opportunity, even to the extent of labelling the opposition, or varying sections of it, as anti-national.

In his 1964 paper Kothari, while describing the Congress system, made a very important point when he said that the opposition is given an importance out of proportion to its size. This, in fact, was a major operating condition of the so-called 'Congress system'. The 'margin of pressure' dominated by the opposition forces, and the universal acceptance of such opposition domination made the Congress system work. But Kothari failed to grasp the importance of its absence in his 1973 paper. The Congress system went through a qualitative transformation in the hands of Indira Gandhi because she refused to accept this 'margin of pressure' and to accord any importance to the opposition: the transformation of the consensual politics into a confrontational one.

Electoral data show that a vast number of Congress seats are won in 4 and 5 cornered contests. In 1967, for instance, while the Congress won only 37.7 per cent of the seats in straight contests, it won 56.8 per cent of the seats in 4 cornered contests. In 1971, it won 52.7 per cent of the straight contest seats while 66.3 per cent of the 4 cornered contest seats. <sup>29</sup> Overall also, if we look at the 1967, 1971, 1977 and 1980 electoral data, we find a clear positive correlation between the average number of candidates per seat and Congress victory margins. Thus, in 1971 and in 1980 average number of candidates per seat was 5.4 and 8.8 respectively, while

in 1967 and 1977 (years of Congress debacle) it was 4.6 and 4.5 respectively. That is to say, the greater the number of candidates for each seat, the higher is the possibility of Congress victory.

As a result, Indira Gandhi, rather than strengthening the cuiture of the 'Congress system', permitted Congress leaders at the national, state and constituency levels to encourage dissension in opposition parties. As for hereself, she would frequently accuse the opposition of being anti-national, antipeople and as only interested in 'Indirahatao'. During the last few months of her rule it was clearly indicated by her bitter criticism of the opposition conclaves held during 1983-84. Such a confrontational strategy carries with it the danger of pushing even the nationalist and system-oriented opposition, which opposition for the most part in India is, beyond the threshold of democratic survivability and of encouraging them to become anti-system.31 Occasionally, as it has happened in Punjab, this strategy may divide and disrupt the opposition so miserably that at a critical point there is no one responsible and representative enough with whom the government can fruitfully bargain.

The stupendous pariiamentary strength based on minority electoral support not only makes the government highly sensitive to opposition parties' unity efforts and leads it to undercut them. It also leads the ruling party to adopt a threatening stance to nationally organisable interests. For, any system of sharing power would appear to it as a potential threat leading to loss of power altogether. The Congress, therefore, has consistently discouraged and undermined the organisation on a national scale of secular interests based on occupation or class such as workers and peasants, and to a lesser extent, business, and prohibited their wholesome entry into the decision-making process.32

Thirdly, such a government, because of its perceived weak ness, tends to rely on primordial groupings hoping that such groupings are incapable of being 'nationally' organised and mobilised, and hence, unexpected to threaten its monopoly over power at the national level. To ensure their loyalty, it may not hesitate, in fact, it has not hesitated, to capitulate to their episodic, even though parochiai-communai demands. This has been very clearly shown by P C Mathur in his analyses of regionalism in India where he shows how regionalist demands based on secular and economic considerations failed in Telengana region of Andhra compared to the often successful regionalist demands based on language and religion in other parts of India.33

Finally, in pockets where anti-system parties and forces become too strong and irresistible, primarily as a consequence of its past policies denying them legitimate participation in the decision-process and refusing to share power with emerging counterelites, it may try to buy them back at relatively high political costs hoping that such costs would be temporary and would

remain localised. Mohanial Sharma, in his recent study of how non-separatist forces in India's north-east tribal belt gradually became separatist through ellte conflict, shows how gradually through undermining the position of the moderate elements in the counter-elite by denying them participation or by hoodwinking and bluffing them, the Congress finally ended up strengthening enormously the position of the extremists and separatists.<sup>34</sup> The recent accords entered into by the central government with forces committed to or tolerant of violence are instances of its buy-back policies.

To sum up our arguments so far, we have tried to point out, first, that the opposition in India is quite strong and it is gaining in strength, though its strength is not represented institutionally at the national level. It has essentially remained politicoenvironmental. Secondly, we have pointed out that the opposition's institutional represention has been hindered, first, by the multiplicity of opposition parties and second, by the electoral system. Thirdly, we have pointed out that as the opposition continues to remain institutionally unrepresented or only nominally represented at the national level, the ruling party develops a vested interest in denying it institutional representation, and the way it does so is potentially dangerous for the democratic system. If this is our diagnosis the task now is to link this diagnosis with policy.

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The 'Congress system' described by Kothari in 1964 worked because it was based on consensus. Admitting the opposition in the 'margin of pressure' was possible, maybe, because Nehrii was too confident of his strength and/or Nehru was absolutely committed to democracy. But may be, it was possible also because the opposition then was not strong enough to carve out a place for itself in terms of power even at the state level. Whatever may be the reason, the principle of consensus helped the Congress system to work smoothly for the first two decades after independence. But the Congress system broke down from 1969 onwards when Indira Gandhl, faced with increasing opposition strength rejected the principle of consensus in favour of the majoritarian principle. And this happened at a time when not only the opposition was gaining in strength, but also the federal character of the Congress was gaining more visibility. Maybe, it happened because of these. But even Indira Gandhi had to recognise the value of consensus when faced with crises such as in Punjab, she, in her own style, resorted to ad hoc all-party meetings in order to find solutions.

In a country like India which is overwhelmingly committed to democracy, but which it also characterised by a fantastic multiplicity and multidimensionality of identifies and interests we cannot spawn too many hopes for a two-party system (through merger of opposition parties, for instance) for, the society is incapable of being represented politically only through two national party organisations. On the other hand, while the electoral system could be altered, it cannot be made too complicated where the electorate is so large and vastly illiterate. Yet, some ways must be found to build certain consociational principles into it.35 Alternative or supplementary institutional structures can also be constructed to work consociational principles. The Srinagar conclave of the opposition parties did produce a draft which could help the system move in that diection. The Sarkaria Commission report is also expected to throw light on these issues. These could form the basis of a national debate on how best to institutionally represent the opposition's politicoenvironmental strength at the national level. Meanwhile, permitting free play of the political and electoral processes in the states which will strengthen federalism is absolutely essential. Institutions like the National Development Council which once was regarded as a 'super-cabinet', can truly be transformed into a super-cabinet especially in economic and financial matters. An enlarge I political affairs committee may be constituted with all the chief ministers in it to give political direction to the central cabinet. The principle on which the 'Congress system' worked in the past has to be revived keeping in mind that today's Congress(1) no longer represents a broad spectrum of national opinion as the Congress once did in Nehru's time. The question now is not one of giving an importance to the opposition far out of proportion to its size, but one of giving it the importance which is directly proportional to its representativeness and strength.

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## Trading Non-Alignment for High Tech? Rajiv's Second US Visit

K N Hari Kumar

This article attempts an analysis of the Indian government's attitudes and stands vis-a-vis the United States, both directly and indirectly, before, during and after prime minister Rajiv Gandhi's visit to Washington and more generally the meaning and implications of the visit for the country's foreign policy.

IN spite of the prime minister's denials, observers have noted a pro-US shift in attitude and stance during his recent rather low profile stopover in Washington en route New Deih. and second meeting with US president Ronald Reagan there. Not that it was entirely unexpected. The prime minister's ideological inclinations towards the United States and other advanced western countries, politically, economically, ideologically and culturally, are too well known. And linked to this his rather overenthusiastic and for that reason. reckiess pursuit of his pet obsession, high tech, which he believes the US possesses most abundantly and of the most advanced kind, to realise his cherished ambition of taking India into the 21st century In fact, prior to his departure for Vancouver for the Commonwealth summit commentators in some leading national dailies had warned against yielding to US pressure to sign the nuclear non-proliferation treaty. Leftist parties had more generally warned against taking the country closer towards the United States. But despite these premonitions, there has been almost universal surprise at the extent to which the prime minister went in order not to offend, in fact to please, the United States administration, Congress and businessmen. The surprise was all the greater as over the previous year and a half or so, the previous few months particularly, the ruling party and even the prime minister himself had shifted to a leftist, anti-US, anti-Pakistani rhetoric, which had become louder and more strident with the deepening political crisis caused by electoral setbacks, political and organisational mismanagement and corruption scandals. However attention on the Indian government's pro-US stances has focused separately on issues that have been in the limelight from time to time: Libya, Israel, the Gulf before the recent visit and arms aid to Pakistan, destabilisation after. What is attempted in this article is a more systematic analysis of the Indian government's attitudes and stands vis-a-vis the United States, both directly and indirectly, before, during and after prime minister Rajiv Gandhi's recent visit to Washington and more generally its meaning and implications for the country's foreign policy.

It must be pointed out straight away that on the one issue on which the pressure was most immediate and greatest during his recent visit, prime minister Rajiv Gandhi unequivocally and firmly reiterated the Indian government's stand, viz, that it will not sign the nuclear non-proliferation treaty. The

pressure was greatest because it is not only the Reagan administration which is keen that India should sign the treaty but there is a bipartisan consensus in the US Congress on the issue. It was most immediate because the Americans were seized of the issue after the Parvez case came to light and Pakistan's relentless pursuit of the nuclear weapon at any cost and by whatever means, was again apparent. US officials argue that if it is politically inexpedient for India to sign the NPT, because it has already taken a stand for many years now that it is discriminatory and fears that it violates national sovereignty, India and Pakistan could work out a bilateral agreement, or a series of them, to postpone, if not stall permanently, a Pakistani, and in consequence, an Indian bomb and a nuclear arms race in the subcontinent. The decision to sign an agreement not to attack each others' nuclear installations which was agreed upon by president Zia and the prime minister in New Delhi two years ago but not followed up, they regard as a good start. Even if India has no intention to make a nuclear weapon, a bilateral treaty not to do so, helps reduce tension, they argue. In any case such a bilateral treaty can be discarded at any time. But obviously the prime minister's attitude has hardened over time. With the deepening domestic political crisis, a strong stand against a traditional rival which would also appease Hindu communal and chauvinist sentiment was deemed necessary to mobilise support. There is also the foreign office view that no government can remain in power even for a day if it signs the NPT, which is linked out merely to India's defence needs but also to its hegemonistic aspirations. So even at the cost of sounding inconsistent, insincere and megalomaniac in maintaining that nuclear disarmament, is a regional (in the larger sense, including China and the Indian Ocean) and global issue, before it is a bilateral India-Pakistan, or even south Asian one, the prime minister stuck to his guns. However, even if it is true that political and strategic US concerns in relation to the Soviet Union, Afghanistan, the Gulf and the Islamic countries is the chief reason for continuing economic and security aid to Pakistan, there is clearly substantial weight in the argument that India can more effectively stall a Pakistani nuclear weapon. And while pressure should be maintained on the US to use its leverage with Pakistan, even if only punitively ("The US has it within its power to stop Pakistan going nuclear", as

the prime minister put it), the wisdom of India keeping its nuclear option open, or even exercising it, at any cost needs to be reexamined. At any rate a bilateral agreement formal or informal would be better than Pakistan exercising its nuclear option at the cost of some US aid while India refrains from doing so for fear of losing access to American high tech, a possibility that as we shall see later is not as remote as it may seem under the present Indian government, in spite of the prime minister's unequivocal assertion that India will not produce the nuclear bomb unless forced to do so. The US is not likely to be more sympathetic to an Indian bomb even after Pakistan possesses one since the attempt will always be to freeze the status quo at any point of time.

But strangely on the subject of US arms aid to Pakistan, particularly AWACS, a very sophisticated high tech item whose force multiplier effect and non-availability to India from the US or elsewhere has caused the armed forces and policy planners much anxiety, the prime minister was silent. (The reported Indian initiative to develop an indigenous AWACS and/or to procure the Soviet model are not comparable options at least in the foreseeable future.) And by his silence signalled acceptance of the longstanding US argument that US security aid to Pakistan is not meant against India but rather to ensure stability and reduce tension in south Asia, which president Reagan reiterated in his statement after the meeting-an argument that India has traditionally refuted and even the US administration lately abandoned, At a press conference on his return flight, he tried to reply to (anticipated) criticism by saying that Pakistan is not so important. But even if that is true, and Pakistan foreign ministers Agha Shahi and Shahabzada Yakub Khan have in recent years repeated it ad nauseum in reply to the Indian government's continual protests against US arms aid, it can hardly be argued that Pakistan insofar as it is a US surrogate poses no threat to regional stability and nonalignment. (This can be seen even in a totally different sphere, viz, UNESCO where the Pakistani candidate, the former Pakistan foreign minister Shahabzada Yakub Khan, was the US surrogate in the recent elections for the post of Director General, against the candidate of the non-aligned developing countries, M'Bow, whose policies as head of the organisation were bitterly opposed by the US leading to the withdrawal of its membership of UNESCO. The Indian government's

rather lackadaisical attitude during these elections was probably motivated by a desire not to annoy the US.) In fact this aid, even if it does not alter the balance of forces as drastically as a nuclear weapon would, makes Pakistan less vulnerable to Indian influence and hegemony in the south Asian region, which is why the Indian foreign office never stops crying hoarse about it. The argument that the prime minister did not raise the arms aid to Pakistan issue because of the delay and possible cancellation of the proposed sale of AWACS to Pakistan does not ring true. First because US administration sources have earlier maintained that Pakistan was not going to be given the more advanced Boeing E3-A, but only the Hawkeye. And secondly because state department officials attribute the delay or cancellation to the emotion generated by the Parvez case, which the US Congress and public opinion have regarded as a slap in the face, and also to the sharp decline in air intrusions into Pakistan from the Afghanistan side in recent months, thus undermining the rationale for the AWACS sale or lease to Pakistan.

The prime minister in his attempt to please the US went further; he exonerated the US of charges, levelled by his party, cabinet colleagues and himself, of trying to destabilise the country's regime by various methods, one of which was by backing Pakistan, because of India's independent and non-aligned stand. In doing this not merely did he show his naivete, but also risked his credibility and domestic support. According to US state department officials and Indian diplomats, the Americans, though hurt by the charges and strongly denying them, only wanted that, even if it was politically necessary to level them, the prime minister particularly and senior cabinet ministers should not lend their weight and prestige by uttering such charges themselves. In other words they are sympathetic and want the prime minister to survive politically. But the prime minister not only asked for and accepted vice president George Bush's assurance that the US is not involved in any destabilisation manoeuvres. He also, presumably in order to prove this 'genuine' non-aligned credentials as Americans often demand taunting India on what they see as its pro-Soviet stand on foreign policy issues, brought in the Soviet Union and eastern bloc countries by saying that all developed countries have intelligence operations in underdeveloped countries and that the Indian government's attempt is to limit them to the extent possible.

On another major issue of direct and immediate relevance to India, viz, the Afghanistan problem, the prime minister reaffirmed the government's well known position calling for an end to foreign intervention (meaning Soviet troops) and interference (meaning US and western aid to rebel forces) and endorsed the need for a political settlement to ensure a sovereign,

independent and non-alligned Afghanistan. The clarity in reaffirmation was all the more necessary since some remarks during his first visit were interpreted as a shift in stand on the issue. But even though the prime minister has withstood considerable US pressure on this issue also, his stand during his recent visit was not publicised in India, a point, we shall later see, which could be of considerable significance.

However when we go beyond the subcontinent and its immediate neighbourhood and consider the Indian government's stand and attitude to various major issues of world concern, we can perceive a similar pattern over the last couple of years of trying to please the United States. Observers have noted how after the US ambassador to the UN, Vernon Walters, lashed out at the then external affairs minister B R Bhagat, for his statements against American bullying of Libya ostensibly to fight terrorism but really to appease domestic US sentiment in early 1986, he was promptly dropped from the union cabinet. The interpretation that this was a signal to please the US was confirmed when the prime minister was silent on the Libyan issue in his address to the NAM summit at Harare later that year. But nearer home the deafening silence on American bullying of Iran in the last few months, again to appeal to domestic sentiment rather than to maintain freedom of navigation at the request of the smaller gulf states as officially stated, has been noted. Not only has the increased US and its allies role in the gulf escalated tension dangerously but given the proximity of the region many vital Indian interests including its security are gravely affected. A large number of Indian citizens are working there, and India has economic links and friendly political ties assiduously cultivated over many decades with most of the region's countries, including the two chief warring parties. Besides, the Indian government has in the past both bilaterally and through the non-aligned movement tried to mediate to end the Iran-Iraq war, which, it was feared, could lead to greater instability and intervention of outside powers. Doubtless the situation is complex, as some American defenders of India's silence have argued, but that can hardly be the reason for silence and inaction. It was as late as the Commonwealth sumnit in Vancouver that the prime minister broke the silence on this issue when in his inaugural address he maintained what can be termed a minimalist nonaligned position by expressing concern at the growing superpower involvement in the area and calling for support to the UN Security Council resolution on the issue and the efforts of the UN Secretary General to find a solution. The prime minister discussed the gulf situation with the US president when they met privately, the official Indian spokesmen said at the Washington press briefing, but dld not elaborate.

A softer stand on Israel has been noticed lately with the decision to play the Davis

Cup match and also on visas to Israeli citizens, especially academic, on which issue the prime minister showed great solicitousness at the press conference for Indian journalists in Washington. Opposition members in parliament have charged that this shift in stand was to please the US, especially since Congress had been critical of India's negative stand on Israel in its aid resolution some months ago. The fact that PLO leader Yasser Arafat came to India soon after the India-Israel Davis Cup match may have been a cover to silence critics and demonstrate continuity but that does not mean that the government's stand has not changed, even though US bilateral aid to India is very small. The change is also noticeable in the government's failure to criticise Israel's actions against Palestinians in the Gaza strip and elsewhere in December last year, except for an innocuous statement when Arab diplomats met the minister of state for external affairs. In the UN debate on the issue, the Indian ambassador to the UN protested vehemently only when Israel compared its occupation of Arab territory and actions therein to the role played by the Indian Peace Keeping Force in Sri Lanka. This must be considered against the almost universal criticism of the recent Israeli actions, which includes the unprecedentedly strong criticism by its chief political, military and economic backer, the United States.

For the last year or so very little has been heard domestically about India's support to Nicaragua and opposition to US covert action and destabilisation in central America. When I raised the issue, the Indian ambassador to the UN, C R Ghare Khan, protested vehemently and pointed out that India's stand and voting the UN had remained unchanged. He did admit that there was lesser publicity on stands taken recently, but attributed that to bureaucratic lapses. Interestingly the prime minister made no statement when the Nobel Peace Prize was awarded to the Costa Rican president, Arias, for his plan for a political settlement and peace in central America, just as he landed in the US. It must be pointed out that this plan aims to resolve the conflicts in the region by the countries themselves and without the intervention of the superpowers, which is a cardinal principle of the nonaligned movement. When at a press conference in Washington the prime minister was asked whether he discussed the central American situation with the US president,: he replied negatively. In the weeks succeeding his Washington visit the Indian government has also been silent on major developments in the area, most importantly the Nicaraguan government's willingness to hold talks with the Contra rebels (earlier? it had been willing to talk only to their backers, the US government) and, following that, the US government's willingness to hold talks with the Nicaraguan government. (earlier it had said that only the Contra rebels would have talks with the Nicaraguan

government). The question arises, is the lower profile a prelude to increasing silence and inactivity on this front leading some time later to an inconspicuous shift in India's stand?

The question assumes greater significance when we observe the lower profile in relation to the Indian government's stand on South Africa, which is in marked contrast to the high pressure publicity to project the prime minister's aggressive leadership on the sanctions issue and pressure on Margaret Thatcher to adopt them, on earlier occasions. Congress(I) and pro-government leaders and intellectuals had earlier even been encouraged to call for the expulsion of Britain from the Commonwealth. But in spite of the fighting rhetoric of the prime minister's inaugural speech at the Vancouver CHOGM with special emphasis on sanctions and the fight against apartheid in South Africa, he was decidedly cold and distant at the press conference called by the four heads of state of Australia, Zimbabwe, Zambia and India for the express purpose of defending Canadian prime minister, Brian Mulroney, against the vicious attacks from the British delegation for his leading role in steering the CHOGM towards a harder line on the sanctions issue. In fact he did not even mention the name of the British prime minister, Margaret Thatcher, while all the others were highly critical of her attitude, arguments and stand. The point assumes greater significance when we consider the fact that the South African sanctions issue was by the consensus of the non-British nations less central and contentious at Vancouver than at the Bahamas CHOGM in 1985 and London mini summit in 1986. Puzzled Indian diplomats say that the Indian government has no reason to be soft on Margaret Thatcher especially since her government has not been very co-operative on the Sikh terrorists issue. The question is inevitable, did the prime minister take this very much softer line on sanctions and especially against Britain, to ingratiate himself with the Reagan administration whose attitude and stand on action for ending apartheid and arguments in support, are similar to Margaret Thatcher's? It is noteworthy that the prime minister, besides one incldental reference in his interview to The Washington Post, made to attempt to appeal to US public opinion and Congress where there is considerable antiapartheid, pro-sanctions sentiment, nor did he broach the subject with the Reagan administration whose support to the apartheid regime for political, strategic and economic reasons is more important for its continuing strength and survival than that of Britain. When I raised this with a top state department official he said that the US administration does not expect anything from Indian on this issue as US policy towards South Africa and India work on different planes. One American political observer assured me that a stand on South Africa which was similar to that of the Conservative Australian prime minister, Bob Hawke, would not offend the Reagan administration. But as we have seen in the destabilisation issue that is no reason for the prime minister to refrain from going as far as he chooses to please the Americans.

It is also surprising that the prime minister did not raise the Fiji issue in the US, considering not only that the Indian government was belatedly (just before the Vancouver CHOGM exercised over the implications of the second coup there for Fijians of Indian origin and summarily took the extreme step of imposing total economic sanctions, but had also tried to project it as the major issue taking precedence over South Africa at the Vancouver summit. For not only does the US have major political and strategic concerns in the south Pacific and significant influence there, but also it has been argued in the Australian and even sections of the US and western media that the US was responsible for destablising the democratically elected Bavadra regime for its relatively more leftist and non-aligned perspectives, and supporting the military coup which apparently had the backing of the defeated prime minister and his party which had ruled Fiji for 16 years Whatever the truth of these allegations, and the US administration has rejected them and condemned both the military coups, it would not be too much to expect the prime minister to mobilise support in the US where public opinion has been considerably excressed over the destruction of democracy on those islands. But on this issue also there was silence, a silence that has continued even in the context of recent attempts 10 give a civilian garb to win international legitimacy and support for coups' racist and authoritarian objectives. Interestingly the Indian government has projected the Fiji issue merely as one that affects the Fijian citizens of Indian origin adversely, presumably to appeal to domestic sentiment as a fighter for the cause of Indians abroad. And linked to this posed the Fijian question as one of racism similar to that in South Africa in an attempt to mobilise a Commonwealth consensus on the issue. The question of democracy and the undermining of democratic institutions by the military coup which has exercised public opinlon in the Australian region and the western countries, has not been focused on. The question of possible US role in destablising the democratic Bavadra regime has been totally ignored. Members of parliament have argued that the prime minister's silence in Washington on the Fiji issue was in return for US support for the Indeseri Lanka accord. But as we shall see later the quid pro quo is not so simple.

Two more points. While welcoming the INF treaty and reiterating India's call for international nuclear disarmament the prime minister made no reference to the US Strategic Defence Initiative (SDI), or 'Starwars' programme as it is popularly known,

which has been the major bone of contention between the superpowers. Does that again reveal a desire to please the United States administration? On the question of promoting trade and investment between the two countries, the official Indian press note elaborating on the outcome of the Rajiv-Reagan meeting said that "our private sectors will be asked for recommendations to increase opportunities for trade and investment". It must be pointed out that the US administration has a very small role in decisions in this area which are made by businessmen whose chief concern is profitability and risk thereupon and good relations with the US may at best be one consideration among many for investment in any particular country. But why did the Indian government forget its large public sector? And especially since the Reagan administration has shed the traditional US aversion to India's public sector in so sensitive an area as defence? Further the note added that the two leaders "discussed the need to work to reduce trade barriers in the Uruguay round of GATT negotiations and pledged themselves to stand firm against pressures for increased protectionism". It needs-to be pointed out here that India's stand at GATT, taken together with other developing countries, has been that the advanced western countries should reduce protectionism in order to facilitate greater exports from and consequently economic development in the developing countries. And further that services should not be introduced into the negotiations. The Reagan administration has been arguing that the developing countries should lower trade barriers in all spheres of trade including services. The developing countries including India have been resisting pressures to do so. Far from reducing trade barriers the Indian government has over the last year introduced greater protection for the capital goods and computer industries in a big way. But more importantly the prime minister in a press conference reaffirmed his government's commitment to liberalisation presumably to reassure American businessmen and toinduce them to invest more in the country. particularly in high tech areas, and also In increasing trade. And even though it can be argued that the prime minister was merely stating his well known ideological views and inclinations on all the abovementioned points, when viewed against the background of the recent leftist rhetoric even in economic matters and slowing down on liberalisation. these statements also put his credibility and domestic support to grave risk.

We can now ask the questions, why is the prime minister going so far in so many diverse areas to make his government's stands more acceptable to the US? What does he want in return? Most obviously and importantly he wants high tech. Secondly he wants high tech in defence and wants to purchase sophisticated weapons, And thirdly he, like most of the foreign office, wants

recognition and support for India's role (meaning hegemony and supremacy) in the region, i e, south Asla. Besides these there are some other areas of co-operation like fighting terrorism, narcotics, parliamentary exchanges, etc.

In the area of high tech the signing of the supercomputer deal just prior to the prime minister's departure to Vancouver and Washington must again be seen as a move to please the US Because the Americans were upset over the Indian government's prolonged sulking at not being offered the most sophisticated model now available, i.e. the Cray XMP 24 or equivalent rather than the equivalent of the XMP 14 that the prime minister had asked president Reagan for on his first visit Clearly US government officials was concerned that far from improving relations and its image in India, the Indian government's stand would damage its public image despite all the trouble they had taken and concessions they had given to get the deal through. They had maintained that the computer offered had not been given to any country except their closest allies From the Indian government's point of view its acceptance of the US assurance that the computer would be upgraded after some time does not amount to very much because by that time more advanced models will be available—already the XMP 48 or equivalent is being talked about or is almost ready for use Further it accepted inspection safeguards by American personnel ostensibly to ensure that the technology does not get into Soviet hands but also reportedly to ensure that it is not used for defence purposes, par ticularly for making nuclear weapons. In doing so it not only accepted conditions that in the nuclear area it is unwilling to accept on the plea that they would violate national sovereignty, but also risked its domestic support and credibility. However it must be admitted that from the country's point of view the earlier and presumably cheaper model may not be an altogether bad thing when we consider the doubts expressed by many senior Indian scientists whom the government has not consulted on the issue, about the relevance and cost effectiveness of even the supercomputer requested for earlier under present day Indian conditions Another area where doubts about the value of the high tech sought after to the country's needs have been expressed by many senior Indian scientists in the relevant disciplines who were not consulted, is the Indo-US vaccine agreement Fortunately after much public criticism and controversy the government has formed a committee of senior scientists to oversee its implementation and to safeguard Indian technology and interests It is not as if the prime minister's objectives and initiatives, which are well intentioned, are in themselves mistaken. It as widely recognised that the country requires sophisticated technology particularly from the west if it is not to continue to lag behind seriously in the economic sphere. Rather the

question is whether high tech has become just another prime ministerial fetish and is part of an attempt to re-fashion the country superficially along the lines of the glittering consumer societies of the west, which especially in the Indian context will only increase economic inequality and leave the majority of the poor where they are if not worse. These doubts aside, much of what was agreed to in Washington seems, to a layman at least, unexceptionable, even if not very impressive, though these gains were threatened momentarily it now seems by later developments The Indira Gandhi-Ronald Reagan Science and Technology Initiative was extended for three years beyond 1988 and the official Indian handout noted that "additional programmes of world class collaborative research in projects of mutual benefit in critical areas will be finalised" Further co-operation and exchange of scientific data in ocean science and climate research and discussion of Indian participation in the proposed US supercollider research project, were agreed upon Another area of co-operation is to be agricultural research to enhance productivity of and zone agriculture, water management and evaluation of ground water resources Besides a programme of Ronald Reagan-Rajiv Gandhi development fellowships "in research institutions in both countries to promote exchanges in specialised areas of science and technology of mutual interest" are to be instituted. The only danger in all this is possible American attempts to palm off socio-economic perspectives and policy prescriptions in the guise of scientific and

technological research and co-operation, which can be observed in a recent study under the Indo-US agriculture agreement, and which an essentially gullible, right-wing and pro-American Indian government may willingly swallow in full

In the area of defence also the prime minister came up against the limits of American co-operation and generosity in high tech transfer during his Washington visit According to US observers quoting state department officials the Indian request for the much sought after composite metals. i e artificially created metals with special qualities for the light combat aircraft, was turned down Which is what the prime minister probably referred to when on his return flight he told correspondents that the US has refused to part with some defence technology which they said they had not given even to their allies However it was agreed upon that co operation in this sphere particularly the LCA is to be expanded and carried forward Further as the prime minister told a press conference the US is likely to become a minor supplier of arms. even if becoming a major supplier was far away According to Indian diplomats this change in Indian policy was motivated by a desire to bypass European suppliers who, particularly the French competitors, it is believed, leaked out the information about the Bofors kickbacks But more generally this fits into the Indian government's perspective of increasing closeness to and collaboration with the US in a large number of important, even critical areas. It must be pointed out that this is giving to the US as

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much as getting from it. Not only because traditionally it is the Indian government, suspicious of the reliability of the US as an arms supplier and foreign policy backer and hence not wanting to be dependent on it, that has refused US offers made in response to Indian protests about US security aid to Pakistan. But also because the US government has of late been very enthusiastic in its offers of defence technology and sale of weapons including willingness to collaborate the LCA project shedding its traditional aversion to the public sector and to transfer of technology, especially of the sophisticated and high tech variety.

On US support for Indian foreign policy, the prime minister after his visit made the astonishing remark that the United States government was willing to accept India's role in the region and elsewhere. As the editor of Times of India, Girılal Jain, was quick to point out in an article soon after this implied that the Indian government was willing to accept the role assigned to it by the United States (Times of India, October 31, 1987). Unfortunately, he does not follow up the full implications of this initial interpretation in the rest of his article. We can take the prompt and consistent US support to the Indo-Sri Lanka accord as evidence in favour of the prime minister's assessment, even though its high profile nature was probably also meant to satisfy the prime minister's rather desperate search for foreign approval and support from wherever he could get it, the US, the USSR, Commonwealth summit, etc. for his various actions and in his political crisis presumably because he believes that it would strengthen his domestic standing and support. But besides this we have to put US arms aid and assignment of role to Pakistan which undermines India's role, at least as that has been defined, either as supremacy in the region or non-allignment worldwide. In other words its overriding objectives aside, the US can be said to have accepted what has been termed India's natural preeminence in the region defined as south Asia. However as we have seen earlier the 'elsewhere' part of Gandhi's statement does not hold, except if the US conception of a drastic limitation in India's non-aligned role is accepted or if the nation's foreign policy Is drastically altered to suit US perspectives and interests more positively. Which leads us to wonder whether the silences and subtle but sure shifts now being made in India's foreign policy stands and the low domestic profile during the prime minister's recent tour were merely designed so as not to attract much domestic attention and in consequence criticism just now and to prepare the ground for more significant and radical changes in stances and policies later.

Finally, there was also agreement to cooperate on some other issues. However on the most important of these, vlz, cooperation in the fight against terrorism, there is considerable ambiguity. While in his review of the progress of Indo-US relations after his meeting with the prime minister in 1985 he said that "we're working together to combat terrorism", president Reagan in his press statement after the meeting did not mention the subject in the list of items agreed upon for action and co-operation in the future. The prime minister in his press statement after the meeting merely said that "we have each recognised the dangers to our society posed by terrorism and narcotics. I mentioned to you (i e, president Reagan) today our determination to fight these problems;" and went on to talk about the price extracted by narcotics and his government's commitment to co-operate with the US to fight it. The official Indian press handout issued after the meeting does not mention terrorism as an area of co-operation between the two governments. The ambiguity is probably because the Indian government is unhappy that the US is not going even further than it has in curbing Sikh extremism and terrorism. This in spite of the fact that much less is heard these days about things like the entry into and contacts with US politicians and administration of Sikh extremist leaders like Jagjit Singh Chauhan, and also about weapons and military train ing of Sikh extremists in the US. Probably the kind of steps and co-operation that the Indian government expects from the US government are not possible within the framework of a democratic society. In the area of narcotics the statements about co operation have been more enthusiastic because both heads of state have been personally interested in the subject. However the problem is immeasurably greater in US, even after considering the fact that the prime minister's westernised Indian elite perception has magnified the problem in the country grossly out of proportion. The co-operation in two other areas, viz, the decision to develop ways to increase availability of educational resources about one country in the other, and the parliamentary exchange by which the speakers of the House of Representatives and the Lok Sabha will visit each other's countries, is unexceptionable.

It will be clear by now that the returns are hardly commensurate with the prime minister's strategy to flatter the US In any case the earlier noted silences and changes in stances, if indeed they are firm and permanent and not just tactical or opportunistic, could mark the beginning of a radical shift in the country's longstanding foreign policy. This foreign policy which has gone by the name of non-alignment has been defined not merely as an unwillingness to join either of the two major power blocks dominated by the two superpowers in the post-World War II period, but also as a determination to follow an independent political and economic path as well as consolidating the unity of the ex-colonial countries for national sovereignty, democratic values and world peace. It could be argued however that tactical flexibility is necessary to protect the nation's interest and security as well as the non-alignment of the developing countries in a fast changing and complex world. And though it can be argued that in some of the earlier mentioned issues. e g, Central America, Fiji, Libya, South Africa, international nuclear disarmament. etc, the country's immediate national. political and security interests are not immediately and vitally affected, it can hardly be said that the same is true in areas like arms ald to Pakistan, Afghanistan and the Gulf situation. It is hardly an accident that the US is most concerned about the Indian government's stands in relation to the nonaligned developing countries, especially those which are closer to India, where its influence is significant, rather than on issues like South Africa and international nuclear disarmament. It is indeed surprising that the Indian government which in the 1950s and 1960s had been in the frontline of the nonaligned movement should now be having doubts about its efficacy and need and try to soft-pedal policies based on its perspectives, just when Latin American countries have, after long decades of political, economic and ideological subservience to the US, begun over the last decade or so to assert themselves, to follow an independent political and economic path, and to limit the influence of superpowers by resolving their problems and conflicts themselves. Surely it is not 100 much to suggest that the Indian government could, taking an idea or two from the Arias plan, suggest and work to implement a similar plan for the Gulf crisis.

As against this it could be argued that over the last one to one and a half years, the Indian government's friendship and political, security and economic ties with Soviet Union have in fact been reaffirmed and strengthened. However, it must be pointed out that this high profile strengthening of ties which began with the Soviet leader, Gorbachev's visit to New Delhi in late 1986, coincided with the deepening domestic political crisis of the Rajiv Gandhi government. In other words it was part of an attempt by the prime minister to invoke the slogans, rhetoric, even policies, personalities and institutions of an earlier era as talismans that were believed to have contributed to the success of his mother, Indira Gandhi, as a national political leader. And also more particularly to invoke the Indo-Soviet treaty with its associations of the Indian victory over Pakistan in 1971, as part of an attempt to mobilise antl-Pakistani sentiment. Further the prime minister obtained Soviet support of sorts during the darkest days of the political crisis. The massive and spectacular Soviet festival in India and the Soviet prime minister's visit for the inauguration provided another opportunity to silence critics of the government's attempts to please and take the country closer to the US. However it is not the argument here that Indo-Soviet friendship and co-operation are being abandoned. In fact even such surrogates or near surrogates of the US like president Marcos of the Philippines and president Zia of Pakistan have been known to play the Soviet card to wrest further concessions from that country. In any case the political, strategic, 1 economic and technological benefits from Indo-Soviet co-operation are too great to be

abandoned at least in the near future. In the military area particularly besides longstanding co-operation India gets the most advanced technological hardware from the Soviet Union, a fact that should especially endear it to the militarily ambitious prime minister. Finally the Soviet Union being the less powerful and hence more defensive superpower internationally expects less in return from and puts less pressure on India-witness for example its stand on the NPT to which it is as committed as the US Friendship with the Soviet Union, suspicion of the US and commitment to nonalignment, have been the bases of Indian foreign policy as it has evolved over the postindependence period. These perspectives have a strong resonance in the popular Indian mind And though the prime minister in his usual over-optimistic manner may have calculated that some of the anti-US and leftist economic slogans could probably be discarded in the US, the hard political knocks he has received in his first three years of prime ministership have made him more cautious in riding roughshod over longstanding personalities, insitutions and policies. Hence the caution and subtlety with which he is likely to initiate any greater tilt towards the US and by implication away from the Soviet Union

But after all this can it be said that the prime minister has succeeded in improving Indo-US relations Viewed against the controversial US senate sub committee resolution which proposed cuts in military aid to Pakistan and high tech to India it either does not accept the non-proliferation regime, it is now clear that the initial post-visit euphoria about its success was misplaced However even if we accept the argument that the Indian government's domestic needs were mainly responsible for both sides putting up this front of success, the unbalanced outrage in the Indian government's response to the sub-committee resolution gives reason to believe that the prime minister may have really believed that he had been able to convince the Americans and bring them around his government's point of view, particularly on the NPT Only this can explain the feeling of bitterness at having been stabbed in the back by the Americans in splie of all that the prime minister had done, including the political risks he had taken, in order to accommodate the US government point of view and even go much further than what had been asked for But he had not been able to deliver what in the heat generated by the Parvez case they had most wanted when, according to US observers quoting state department officials and Indian diplomats, they invited him to stop over in Washington In hindsight it can be said that the prime minister was rather rash in brushing aside foreign office fears and deciding to accept the invitation. But obviously he had felt that he could bring the Americans around to give him pet hobbyhorse, high tech, in return for all that he had done for them. But the Americans fearing that nuclear proliferation would result in regional instability continued to be very keen that a nuclear arms race in the sub-continent should be stalled. Hence they saw the prime minister's overenthusiasm for high tech as a point of vulnerability on which they could put greater pressure to achieve their ends Doubtless the American system provides for a presidential waiver on the grounds of US national interest even if the sub-committee resolution had been passed by Congress The Indian response was so ferocious also because it was felt to be humiliating for the prime minister personally as well as the nation as a whole, to receive high tech under a waiver regime. And though the US rapidly withdrew the resolution not wanting to damage improving relations too greatly it may be unrealistic to expect that more subtle ways of exerting pressure through the lever of high tech transfer will not be pursued

In other words in spite of intproving relations between the two countries after Indira Gandhi's return to power in 1980 and Ronald Reagan's assumption of the presidency, many important and even critical obstacles remain From the US side a change in its political strategic approach in the international arena, has been helpful. No longer does it want to encircle the Soviet Union with military alliances and bases. The fall of the Shah of Iran particularly and the rise of anti-American forces in the region consequent upon that revealed the weaknesses of the policy based on propping up dictatorial surrogates whose dependence on US support and aid leads for a variety of reasons to the erosion of their popular base in their own countries Rather it now seeks to back regionally powerful countries which can police and maintain stability in their respective regions and hence be bulwarks against Soviet intervention and influence Given such a perspective an independent and

non-aligned country like India does not get automatically slotted into the pro-Soviet pigeonhole; rather its stable political and socio economic system, its large size, economically, demographically and militarily, become assets in preventing regional Instability and expansion of Soviet influence. Hence in spite of Indira Gandhi's chronic suspiciousness and recklessly aggressive US actions in central America, Grenada and southern Africa to give some of the more obvious examples, the Reagan administration despite its extremist conservative orien tation, was able to improve Indo-US rela tions From the Indian side Indira Gandhi's return to power also marked a significant rightward shift in economic policy that goes under the generic term, liberalisation, as well as the pursuit of high tech, in order to pull the economy out of the dead end of stagnation that it had reached Whatever one may' think of this solution to the country's problems, its natural corollary was closer ties with the economies of the US and other advanced western countries With Rajiv Gandhi's assumption of power, liberalisation, the pursuit of high tech and closer ties with the US, all received a strong push forward which amounted to almost a qualitative change But from the second half of 1986 onwards the deepening political crisis resulted in a slowing down of this process By the time of his recent stopover in Washington the assessment seems to have been that the worst was over Hence the willingness cautiously no doubt to go back to the old slogans and policies, and in fact make certain further changes in the same direction Whether the youthful prime minister has pushed himself overboard in the process will become clear only with the passage of time

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(INCORPORATED IN FRANCE WITH LIMITED LIABILITY)

## (INDIAN BRANCHES) BALANCF SHEET AS AT 31ST DECEMBER, 1987

Previous Vehr Rs	1	CAPITAL AND LIABILITIES	Ra	P	Řs.	P	Previous Year Rv		PROPERTY AND ASSETS	Rs P	Ns. p
	1	Capitali						7	Cash		1
ľ		Deposited with the Reserve Bank of			1	•	•		n hand and with Reserve Bank		
		India under Section 1(2) of the			!		1 1		of india and State Bank of India		
i		Benking Regulation Lt 1919-					1		(including foreign currency		
ŀ		Government Securities of the					156 991 728		notus)		121 779 507 51
		face value Rs 11 400 000 00			1		.,				
i		(Martis salus Rs 15 487 000 00)			l			2	Balances with Other Banks:		
		included in investments on			l		110 222		(i) In India	456 338 09	
New applicable		the opposite side			Not appl		4 688 904		(ii) Outside India	1 506 544 78	
An abburance		the opposite sea			tin appr	14 4/700	5 029 126		.,		1 962 881 57
		0.0000000000000000000000000000000000000					, , , , , , , , , , , , , , , , , , , ,		On current Account		
1	2	Reserve Fund and Other					340 222		(i) In India	436 438 09	. 1
- i		Reserves			i		4 688 904		(ii) Outside India	1 506 544 78	
i	i				ļ		5 029 126		(II) CARRIOR FIRSTS	1962 881 87	
1	•	Deposits and Other Accounts					7 029 120		43 - 43	1 404 991 9.	1
1	•	Fixed Deposits			1		1		On Deposits		Į.
[		(I) From Banks	1 124 559	45	l		-		(i) In Index	-	1
588 65- 011		(2) From 14thers	672 219 793		l		1 - 1		(li) Outside India	_	1
91 142 807			111 114 664		1				Manager as death and dha-		1
71 192 807		varings Bank Depusits	111 114 004	77	į.		i	•		l	1
i		Current Accounts Contingency			l		_		Notleer		_
		Accounts etc					}		Investments		1
1 869		(I) From Banks	1 76H					4		ł	Į.
111 167 148		(2) From others	175 908 678	15	1		1		(At cost or market value		1
1 015 363 865					1 160 669 +	64 65	1		whichever is lower)		ł
ולטה לטל לוט ו					1 100 005 4	(1) (1)			(t) Securities of the Central and	l	į .
- 1									State Governments and		1
1	4	Sorrowings from other Bank			l				other Trustee Securities		1
		Ing Companies Agents etc.			l		1		Including Treasury Bills of		ŀ
179 812 698		(i) In India	64 596 800	00					the Central and State		
7 614 689		II) Quiside india	1 780 106	74	į		306 619 660		Governments	367 412 520 99	o i
187 447 387				_	66 176 9	~ ~.	,000 0.7 000			30, 112 320 7	
187 447 181					001.03	UO '4			(ii) Ordinary Shares (Other than	ŀ	1
1		PARTICULARS			ł		1 1		beld in Head Office books)	ì	
5		(i) Secured by corresponding			]		54 900		Partly pold Unquosed	-	i
8 500 000		advances to customers	9 421 146	00			99 800		Fully paid-Quoted	559 300 0	) {
178 947 387		(ii) Unsecured	56 955 760		ŀ		-	ŀ	Pully paid Unquoted	50 000 0	) l
		In concenta		_	1		_ 1		(iii) Debentures or Bonds		
187 447 387			66 176 906	74			l	1	(iv) Other InvestmentsUTI	24 945 925 0	o1
					1		_		(v) Gold	_	
14 100 504		Bills Payable			12 781	67.03	306 774 360	l	(1)		392 967 745 9
74 (87 784	7	BIUS PRYBURC			1 12 /81 1	0.02	300 / / 2 300			[	
					I			4	Advances		1
-1	,	mine de Calleria de La			ĺ			•	(Other than Bad and Doubtful	1	1
	0	Bills for Collection being			1		<b>j</b> i		Debts for which provision has	Į.	}
Ì		Bills Receivable as per			i				been made to the satisfaction of	1	1
	l	Contra			1		1		the Auditors except as stated in	Į.	1
122 702 305	1	(i) Payable in India	160 409 612		1		1	1		1	1
98 427 044		(ii) Payable outside India	56 3 18 19 1	81			1	1	their report )		
381 129 549					216 747 8	07 28			(1) Loans, Cash Credits	}	1
201 167 247					7/0	p.17		ì	Overdrafts esc		.1
1	1				l		324,840 490	l	i) in india	425 034 130 8	3 (
	7	Other I labilities			j			1	il) Outside India		
14 707 366		(I) Branch Adjustment (to India)	_		Į		324 840 490	ŀ		425 034 130 8	5
	i	(ii) Head Office and Balances			ł				(II) Bills Discounted and	1	1
65 611:752		of Foreign Branches	74 575 017	AO	1				purchased (encluding	i	i
14 642 000	ŀ	(iii) Income accounted in advance	15 268 663		i			1	Densury Bills of the Central	1	1
		And the same of a same of the	->		1	/asa		ł	and State Governments)		i
94 961,118					87 843 0	<b>WI 12</b>	446 886 119	i	i) Payable in India	295 383 678 7	: 1
	1				i		24 541 768	l	ii) Payable outside India	28 776 555 3	
1	1				]				of talence consideration	324 160 234 0	
	8	Acceptances, Endorsements			Į.		471 427 887			344 100 254 0	
	l	and Other Obligations per					796 268 377		Particulars of Advances	ì	749 194 364 8
404 67H 122		Contra			154 686 9	12 64			(as per attached Schadule)		}
	-							-	Carried Forward		1.00
2.117 769.425	ľ	Carried Forward	1		1 929 105 9	38 44	1 265 063 591		( SCHOOL LORWING	1	1 265,904,500 .



(INCORPORATED IN FRANCE WITH LIMITED LIABILITY )

## (INDIAN BRANCHFS) BAIANCE SHEET AS AT 31ST DECEMBER 1987

Previous Yerar Rs	CAPITAL AND LIABILITIES	Rs. P	Rs P	Previous Year Rs		PROPERTY AND ASSETS	Rs P	Rs P
2 117 769 425	Brought Forward		1 929 105 938 44	1 265 063 591		Brought Forward		1 265 904 500 24
6 620 796	9 Profit and Loss Balance of Profit brought forward	19 847 401 60		322 "02 405	6	Bills receivable being Bills for collection per Contra		
1 800 000	Less Amount remitted to Head Office	11 048 304 98		58 427 044		i) Payable in India ii) Payable outside India	160 409 612 47 56 338 194 81	
4 820 796	nead Office		-	381 129 319		II) TAVALINE OUT WICE TABLE	70 77 171 1	216 747 807 28
7 820 /90	Profit for the year 198" per	8 799 096 62			_		i	210 47 807 28
5 026 606	Profit & Loss Account Annexed	12 431 116 11			7	Constituent a Liabilities for Acceptances Endorsements		
19 84~ 402		21 230 212 76				and other Obligations per		
	Balance of Profit			104 6"R 122		Contra		554 686 912 64
	Merged with Head Office and		1		_			224 000 212 04
<u>19 847 402</u>	Balances of Foreign Branches	21 230 212 76		2 545 254	8	Premises Less Depreciation Cost as per last Balance Sheet (see note 4)	2 545 254 32	
	10 Contingens Liabilities		1			Additions during the year	4 356 250 110	
-	(I) Claims against the Banking	1				less Depreciation written off		
618 830	Company not acknowledged as debts	818 830 75	·	1 044 924 1 500 430	ŀ	upto 41st December 1987	1 111 489 00	5 790 115 32
	(ii) Guarantees/Letters of a redit		Į.		9	Furniture and Fixtures Less		
814 412 006	issued (including on behalf of officers Rs 3/)	925 012 445 13	ı	ł .		Depreciation		
	(in) Liability on Bills of	, , , , , , , , , , , , , , , , , , , ,	l	12 795 922	i	Book to ue se per last Balance		
171 218 475	Exchange rediscounted	272 240 040 55	l	1 640 913	l	Sheet Additions during the year	13 838 104 20 3 164 919 37	
	(lv) Liability on account of	}	1	14 436 833	1	ADDITION OUTLING THE YEAR	1" 003 023 57	
340 231 832	outstanding Forward Exchange Contracts	662 520 067 77		598 731	l	Less Deductions during the year		
*	(v) On parily paid shares of	7.000	ì	13 838 104			16 946 566 67	
59 900	Joint Stock Companies	6 500 00	ł	6 200 985	1	Less Deprectation written off upto 31st December 1987	8 742 985 55	
			1	7 637 119	1	upto sist December 198	8 44 705 77	
		ţ	j.	105/119				8 193 381 32
		j	İ	Į.	10	Other Assets:		
		1	1	4 449 494	l	l) Head office and Balances		
		1		1 119 474	1	offer with Foreign Branches ii) Interest accrued on	817 080 21	
		1	1	6 298 141	1	investments	8 426 547 97	
		}	1		1	iii) Other Increst and		1
				6 142 387		Commissions receivable (v) Tax payments less	4 161 989 0*	
		i	1	23 965 462	1	provisions	47 550 17 07	1
		1	1	37 898		v) Starteps	44 697 45	
		1	1	11 274 956		Iv) Prepaid Expenses and Sundry Amounts receivable	4 528 857 96	
	İ	1	i	8 582 437	1	vii) Deposita	9 094 761 78	
		1	1	340 159	1	vitt) Vehicles less depreciation	445 070 06	
			1	1	1	ix) Brunch Adjustment (in		
				57 760 914	1	India)	1,716,040 07	
				11.007.	"	Non-Sanking Assets sequires in Satisfaction of Claims		-7 783 221 64 -
2 117 769 425	TOTAL RUPELS		1 929 105 938 44	2 117 769 425		TOTAL RUPEES		1 /29 105 938 44

As per our attached report of even date For A F FERGUSON & CO ( barrered Accountants

> FN PAVRI Partner

For BANQLE NATIONALE DE PARIS

Mr P Grandsmy Manager for India

BOMBINA S April 1900



( INCORPORATED IN FRANCE WITH LIMITED LIABILITY )

#### (INDIAN BRANCHES)

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1987

revious Year Ro		LXPE* DITURF	R. P	Pres unus Year Rs	INCOME Re these provision made during the year for Bad and Disubtful Debts and 1 ther usual cir necessats groves and 1
57 876 136	2	Interest paid in Deposits Borron (ngs Head Office fo vign Branches Accounts etc Salanes and Allowances and Provident and Gratuity Punds (previous years figures include Rs 10 300 000 in respect	69 559 971 40	128 (63 195 19 772 919 63 690	I Interest and Discount including from Head office and Foreign Branches 128 273 H93 7. Commissions Exchange and Brokcrage 26 310 H82 30 Rents 65 690 00 Net Profits on Sale of Investments Gold and Silver Land Premises and
34 381 656	•	of initial contribution to penalus fund) Directors and Local Committee	26 154 476 TH	1 616 992	other Assets (not credited to Reserves or any particular Fund or Account) 1 043 096 8
21 000		Members Fees and Allowances	14 400 OL		Net Profits on Revaluation of invest
5 494 820	4	Rent Taxes Insurance Lighting etc.	5 806 927 68	1	ments Gold and 5 lver land Premises
808 14	5	Law Chargen	535 987 94	1	and other Assets (not credited to
884 193	6	Postages Telegrams and Stamps	1 050 6 (1 20	1	Reserves or any particular Fund or
	7	Auditors Feès (previous years figures include Rs 20 000 in respect		542 H26	Account) Income from Non Banking Assets and
155 000	8	of 1985) Depreciation on and Repairs to the	115 000 10	- 1	Profits from Sale of or dealing with such Assets
1 754 432		Banking Company v Property	3 525 611 18	417 909	Other Receipts 2 718 777 0
1 787 353	9 10	Stationery Printing Advertisements etc. Loss from Sale of or dealing with	2 764 684 79		
-	11	Non Banking Assets Other Expenditure (Including Income tax Provision and Head Office	-		
32 168 194		Supervision Charges)	56 355 188 //	1	
15 026 606	12	Balance of Profit	12 +5( (16 1)		
(50 477 531		IOIAI RI PLES	158 400 439 XI	150 4 - 541	IOFAL RI PIES 158 (00 549 9

#### Notes forming part of the Accounts for the year ended 31st December, 1987

Particulars of Remuncration to Chief		In its Year	r
Executive Officer in India	R. P	Rs.	
Salary and Dearness All Mance	2"1 2 (8 40)	2+1 830	
Other Allowances	1 560 00	t old	) [
Romus	8 425 00	8 800	
Money Value of other beneficin and perquisities (including furnished accommodation utilities & car i alculated			C.
according to the Income Tax Rules)	171 059 65	19 t 108	3
Tittal Re	445 192 25	117 460	
	Executive Officer in India salary and Dearness All mance Other Allowances Bonus Money Value of other beneficts and perquisities (including furnished accommodation utilities & car saleulated according to the Income Tax Rules)	Executive Officer in India Rs P salary and Dearness All mance Other Allowances Bonus Romes Money Value of other benefices and perquisities (including furnished accommodation utilities & car i alculated according to the Income Tax Rules) 171 059 65	Executive Office r in India Rs P Rs Salary and Dearness All mance 27 (2 (8 40 2 4 7 850 Other Allowances 1 5 60 00 C 610 Bonus 8 425 (8) 8 800 Money Value of other beneficin and perquitatives (including furnished accommodation utilities & car i alculated according to the Income Tax Bules) 171 059 65 194 108

- (2) Fixed Assets had been a instated in the Books of the indian Pr on of the Bank as at lat January 1969 by adopting cost in respect of promises and insome tax written down value in respect of schicks, furniture and fixtures.
- (3) An against the Present Maximum Embility of Rs. N 291-526 (0) (previous years Rs. \* 9% 462) in respect of gratuity payable effected in accordance with the practisions of the "syment of Gratulity Act. 1972. All India Industrial Prinarial Award the Funds in the Lands of the Transies of the Gratuity Surface of the Gratuity Surface.

- Rs (6.372.25). No previous has too situal to to a limit for the halance Hability of Rs (14.93) (1) previous year Rs (1.5  $^{\rm sec}$  2 to
- (4) Premises melides si eres in Housing Companies (1 Rs. 5 to 1547/00 (presing shar Rs. 7/8/8) — with him obspressing that been provided.
- (5) In respect of tax markers in dispute am a riting to Ra. 41 285 000 up in the secounting year 1984 where the Rank Jax Authorfice; have preferred appears no procision has been made in respect of these mattern pending the final outcome of these appeals. However the amount of unremitted profits and Hey I Office Charges withheld to India is more than adequate to cover the liability if any that may arise in this regard.
- (6) Advance include Rs. 14 885-911 I7 (unsertaned) on account of Inter that two borrower companies to respect of where references have been made together with a proposed rehabilitation programme, to the Board for Industrial and Financial Reconstruction under the block Industrial Companies (Special Provisions) Act. 1985. No provisions have been considered recessary by the Bank for these advances since in the opinion of the Bank this are recurringled laking lots account the rehabilitation schemes presently envisaged as well as the means of the promoters.
- Trustees of the Certainty fund a at \$1.12 198" wen. Rs. "656 660 81 (pressous seat ) Pressous seats figures have been exprosped wherever necessary to make them comparable

As per our attached report of even da

For A F FERGUSON & CO
Chartered Accountants

F > PAN AL

For BANQLE NATIONALE DE PARIS

Mr F Grandamy Manager for India

BOMBAY 8 April 1960



I INCORPORATED IN FRANCE WITH LIMITED LIABILITY )

#### (INDIAN BRANCHES)

Schedule of Particulars of Advances Required by the Banking Regulation Act 1949 (Act X of 1919) Attached to and Forming Part of Bulince Sheet as at 31st December, 1987

Previous Year Rs		PARTICULARS	Řs P	Previous Year Rs		PARTICLIARS	A's P
292 024 807	(i) (ii)	Debts considered good in respect of which the Banking Company is fully secured.* Debts considered good for which the	329 307 152 14	4 258 475	(1	Debts due by the directors or office s of the Banking Compans or any of them entier severaly or jointly with any other persons	4 31785 06
59 64~ 275	,	Banking Company holds no other security than the debtors personal security	128 005 622 %		(51)	Debts due by companies in firms in which the directors of the danking company are interested as directors	
39 04 2/3	(in)	Debts considered good secured by the personal liabilities of one or more	128 007 022	-		partners ir managing agents or us the	
144 596 295	4	parties in addition to the personal security of the debitins  Debta considered doubtful or had	291 881 590 02		(511)	Maximum total amount of advances including temporars fadvances mide at any time during the year to ibin com-	1
	(iv)	not provided for	-			or Managers or Officers of the Bank ng Company or any of them either	
	Ĭ	(including an amount of Rs 14 105 044 96 on account of one borrower company in respect of whom		1 258 175		severally or jointly with any other persons	1 051 785 00
		reference has been made to the Board for industrial and Financial Reconstruc- tion under the bick industrial			(, m)	including temporary advances granted during the year to the companies or	
		Companies (Special Provisions) Act 1985 )				tirms in which the directors of the Banking Company are unierested as directors, partners or managing agents or in the case of private companies is	
796 268 377		TOTAL REPLES	749 194 164 87	i 597	(ix)	Due from Banking Companies	4 + > 59

#### Auditors' Report on the Indian Branches of Banque Nationale de Paris under Section 30 of the Banking Regulation Act, 1949.

de Paris as at 31st December 1987 signed by us under reference to this report and the relative Profit and Loss Account of the Indian Branches of the Bank for the year ended 41st December

in accordance with the provisions of Section 29 of the Banking Regulation Act 1949 read with the provisions of sub sections (i) (2) and (5) of Section 211 and sub section (5) of 4c tion 227 of the Companies Act. 1956 the Balance Shert and Profit and Loss Account theother. with the noise thereon are not sequined to be and are not drawn up in accordance with Scheduc VI to the Companies Act. 1956. The accounts are therefore drawn up in conformity with Forms A. to the Come and B of the Third Schedule to the Banking Regulation Act 1949

We report that subject to and read with the foregoing remarks

(1) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be untisfactory

- We have audited the attached Balance Sheet of the Indian Benoches of Banque Nationale (2) The transactions which have come to our notice have been an our opinion within the power of the Indian Branches of Banque Nationale de Paris
  - (3) in our opinion proper books of account as required by law have been kept in the Bank so far as appears from our examination of these books
  - 14) The above mentinged Balance Sheet and Profit and Jose Account of the Indian Dranches of the Bank dealt with by this report are in agreement with the books of eccunt
  - (5) In our opinion and to the best of our information and according to the explan to me given to us the accounts together with the notes thereon and subject to notes 2-3 and 5 tl en on dealing respectively with fixed assets non provision for gratuity of Rs.634 924 19 at d cretain taxation matters under appeal and subject to the recoverable sy of advinces rgating Rs. 14 HHS 911 17 on account of two burrower companies (other than are in s for which the Bank holds security) referred to in note 6 give the information require I by the Companies Act. 1956 in the manner so regutted for Banking Companies and in such basis give a true and fair view in the case of the Balance Sheet infishes it. I fall is of the Indian Branches of the Bank as at 3 tot December 1987 and in the case of the Profit and Loss Account of the profit of the Indian Branches for the sear ended on that date

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BONBAY B April 1980

# Inter-Sectoral Terms of Trade Misconceptions and Fairy Tales

D S Tyagi

I

SCIENCE's main business Is discovery of truths about the world. Truth states facts. All scientific concepts whether they be physical, psychological or sociological, must be defined in terms of observable characters.1 In other words, the statement of an empirical science must be confirmable by observation. Terms of trade is an empirical concept. Recognising that the validity of crucial constructs relating to class relations conceived by Mitra<sup>2</sup> was dependent on an observable phenomenon, namely that the terms of trade have moved in favour of agriculture, I have raised doubts regarding the veracity of this statement on methodological grounds.3 Later on we have argued that since the term 'terms of trade' implies a comparison of prices at which the trade has taken place between the two sectors,4 the degree of accuracy of the estimates of terms of trade obviously depends upon: (a) the comprehensiveness of the identified pattern of trade, (b) the reliability of weights used for con-, structing the price indices in reflecting truly the share of different items in the total trade between the two sectors, (c) the capacity of selected price/price indicators to truly reflect changes in prices paid by the two sectors for purchases made from other sectors.

On the comparison of wholesale price index for the group 'agricultural commodities' with that for the group 'manufactures'-an approach commonly followed for estimating terms of trade—we have asserted that such a comparison would not truly reflect the movement of terms of trade.5 We have argued that since (a) in the group of manufactured products, there are number of commodities that are not traded between agricultural and non-agricultural sectors, (b) the weights assigned to different commodities are on the basis of each commodity's share in the total transactions in the economy and not in the total exports/imports of a sector, and (c) the price quotations used in the construction of these indices do not truly reflect the changes in the price received or paid by the agricultural sector, the quotient of price index for the group 'agricultural commodities' divided by price Index for the group 'manufactures' cannot be labelled as terms of trade.

Since the publication of our paper on terms of trade in 1980, either due to our results revealing just the opposite of the popularly held belief or on account of our discussion of the limitations of methodologies adopted for estimating terms of trade in the earlier studies on the subject, there had been a thrust on finding out some

arguments to counter our results.6 At long last, a paper has been produced primarily to undermine our approach and to defend the works of Mitra [1977] and Thamarajakshi [1969 and 1977]. In her paper Nalini Vittal [EPW, December 27, 1986] had tried to establish that the crucial methodological issues raised by us were non-consequentlal. Of course, large majority of the readers would have realised that despite her attempt to give a ring of credibility to her observations by quoting from the work of some serious researchers, she has failed in her attempt. However, recognising that some young academicians might be misled by her verbosity and may start treating polemics as a substitute for hard facts and scientific logic, a discussion of points raised by her would appear to be desirable. In what follows, I would demonstrate that the arguments advanced in defence of methodologies adopted by Mitra and Thamarajakshi are not only inconsistent but also are factually incorrect and the objections raised on the improvements suggested by us in the methodology for estimating terms of trade have no validity. This in turn would establish that basic scientific logic and hard facts cannot be dismissed as non-consequential in empirical economic research and statements based on distorted facts despite being made in an emotionally surcharged language are no substitute for the basics of research.

#### Ħ

### The Strange Logic of Two Wrongs being Equal to One Right

In defence of the use of index numbers of wholesale prices for the group 'agricultural commodities' as a proxy for prices received by the farmers, the first major argument advanced by Vittal is "faulty indices fault in all directions not just those described by Tyagi". In my paper [Iyagi 1979], I have argued that index number of wholesale prices for wheat and rice tend to overestlmate the increase in the prices received by the farmers. Vittal's argument is that in the case of commodities, the index number of wholesale prices may under-estimate the rise in the prices received by the farmers, and hence, the errors may cross cancel. To prove the point that in the case of some commodities wholesale price indices have tended to underestimate the rise in the prices received by the farmers, she has been able to muster only one evidence namely an observation by Dantwala. To quote "for example Dantwala [1969] points out that for 15 years from 1951 the raw cotton index registers a decline. This is because the official estimates reject the market prices for raw cotton (or 'kapas'). The open market price often stayed well above the official ceiling but the office of the Economic Adviser 'recognised' only the ceiling: hence the series of kapas underestimates its true price rise" (emphasis added).

Let us look at the facts. For 1952 the wholesale price index (1961-62 = 100) for cotton stood at 94.1 and for 1953 at 93.6 but for 1964 it stood at 115.7 and for 1965 at 118.5. Thus the wholesale price index for cotton did not register a decline for 15 years after 1951, it had shown an increase. Further, in the construction of Economic Advisers' Index Number of Wholesale Prices for raw cotton at that time nine quotations were being considered of which 7 were for Bombay market and the remaining two were for Tripur and Amravatl markets and three out of these 9 pertained to imported cotton.9 It needs to be stressed that these price quotations were for cotton lint whereas farmers in India sold their crop in the form of kapas. 10 Thus, it is obvious that wholesale price index for cotton need not necessarily reflect the changes in the prices received by the farmers for kapas. A point we have been stressing.

Finally it ought to be recognised that despite the price of cotton lint crossing the ceilings during the lean months in some years, the farmer might have failed to realise even the floor prices during the post harvest period. For illustration, let us consider 1965-66-a year belonging to the period during which the wholesale price index for cotton is reported to have declined on account of non-consideration of the price quotations above the ceilings. During 1965-66 seasons the prices of L-147 variety of kapas ruled below the floor prices at Hubli in Karnataka during the peak arrival period from April to June 198611 but by September, the prices had increased to levels exceeding the celling. 12 Thus, from the price of cotton lint exceeding the ceiling price at Bombay one cannot infer that the cotton producers had succeeded in realising higher prices for their kapas. Had Vittal thought for a while about the implications of what she was quoting from Dantwala or checked the statement for its factual accuracy she would have realised how misleading it is to use Economic Advisors Index Numbers of Wholesale Prices for cotton as a proxy for price realised by the farmers for their kapas.

### III

### Distinguishing 'Wood from Trees'

I have argued [Tyagi 1979] that the wholesale price index in the case of cereals cannot be taken to truly represent the changes in the prices received by the farmers on two important counts, viz., (a) consideration of 'issue prices' as price quotations in the case of few centres, and (b) imposition

of movement restrictions. 13 I have stressed that with the imposition of movement restrictions, the prices would rise at a faster rate in the deficit states and as a result of this the wholesale price index, in the construction of which equal weights are given to different centres, would tend to show a much higher increase than the rise ln the price received by the farmers. Similarly, if in the base year, the issue prices were much lower than the open market prices and in the later period these were brought closer to open market price then the wholesale price index would show an Increase even when there was no increase in the prices realised by the farmers.

On the first issue, viz, consideration of issue prices as price quotation for a few centres in the construction of Economic Advisers Index Number of Wholesale Prices for wheat, Vittal's contention is that since the difference between open market and issue prices have disappeared by early seventies, therefore, the impact on wholesale price index may not have been much. To quote "In drawing the fine distinction between the use of issue prices as opposed to free market prices, and in calling for a 'representative' distribution of price reporting trading centres, Tyagi has failed to distinguish the wood from the trees. This difference may be evident for the years he has chosen, but over the years the difference has ceased to exist. If Krishnaji [1975] is right, by the early 70s, the difference had virtually disappeared?"

In my paper of 1979, I have argued that in the base year, I e, 1961-62, the issue prices of wheat was much lower than even the farm harvest prices of wheat in the surplus states. Even if it is taken for granted that the statement quoted from Vittal In the above para is correct, i e, the difference between Issue and market prices has ceased to exist still the implication of considering issue price as price quotation would remain that it would inflate the increase in the wholesale price index.

Although the point that I have tried to stress may appear to be obvious, the fact that it has become difficult for Vittal would suggest that as to how it would inflate the wholesale price index needs to be explicitly demonstrated. For simplicity let there be only two centres A and B. In the case of A open market price quotations are considered and in the case of B Issue prices are considered. Let the open market price in the base year be Rs 100, then 'issue price' would have been less14 than Rs 100, say Rs 90. As years go by both increase and in a year they become equal. Let us take it to be Rs 200. It is evident from Table 1 that wholesale price index if was based on open market price quotations would have become only 200 but it is the consideration of centre B quoting 'issue prices' that have inflated it to 211. Thus, it is evident that despite Krishnaji being right, the wholesale price index constructed on the basis of giving equal weights to different centres including those in the case of which issue prices were taken as price quotations remains that the wholesale price index would show increase of higher order than the increase in prices realised by the farmers. Of course, in a particular year if government had decided to fix the 'issue price' at a lower level then the wholesale price index may show an increase of lower order than the increase in the price realised by the farmers. The important point is that 'issue prices' need not necessarily move parallel to prices realised by the farmers and therefore an index in the construction of which issue prices are also considered cannot be taken to represent the changes in the price received by the farmers.

#### IV

### Where is the Evidence?

On the impact of zonal restrictions on the movement of foodgrains on the wholesale price index, I have stressed two points. The first one relates to the impact of imposition of movement restrictions on the prices in the deficit and surplus areas. The main argument in favour of zonal restriction has been that since with the imposition of movement restrictions, surpluses would get bottled up in the surplus areas, the prices would decline in these areas. This in turn, would make the task of achieving targets of procurement easier. As a natural corollary of this logic one would expect the prices to rise at a faster rate in the deficit areas. Second point relates to the impact of these diverse trends in the prices in the deficit and surplus areas on the value of the index. Since in the construction of the wholesale price index, equal weight is given to each centre whether located in deficit or surplus region, the wholesale price index would rise more than the rise in the prices received by the farmers. I had stated "if, due to certain reasons, prices go up at a faster rate in deficit areas than in the producing areas, as one would expect as a natural consequence of inter-state movement restrictions, the wholesale price index for wheat would then go up at a rate much higher than that at which prices received by wheat producers have risen". Again, in the case of rice I have written "given the fact that in working out the all-India price index each centre is given equal weight, if it can be shown that prices of rice in the deficit states have increased at a faster rate than in the surplus producing states, mainly due to zonal restriction, then it would follow that the price index has gone up at a faster rate than the prices received by farmers have in fact risen".

For illustration a table showing prices of wheat in deficit and surplus regions in years of (a), free movement and (b) single state zones was also provided. In her anxiety to disprove the above Vittal has quoted, though out of context, from Raj Krishna and Krishnaji. Her main contention is "In those years when multi-state zones operated, inter-zone price disparlties which causes

Tyagi so much anguish, were obviously far lower than during the years when single state zones operated. In addition, zoning did not operate at all during some years . . Further, the situation was also fluid . . Thus, the argument that zoning (and attendant state intervention) had been responsible for rises registered by the price index runs counter to all evidence?

One wonders what is the evidence that runs counter to my arguments. In fact, the problem arose only because the policy changed from free movement to zonal restriction. Since in the base year of the wholesale price index series, there were no restrictions on the movement but in the subsequent years these were imposed that led to wholesale price index rising at a rate faster than the prices received by the farmers. The evidence that could contradict my contention would have been prices rising at a faster rate in surplus areas than that in the deficit areas. Table 2 clearly corroborates what I have stated.

As regards the question of differential impact during periods of multi-state and single state zones, yes, the impact would vary with the severity of restriction. The period to which I had to refer in my paper of 1979 was the period following the years 1972-73 and that was a period of single state zones. Although Vittal has quoted from Rai Krishna but the important finding relevant on this issue has been overlooked. Raj Krishna [1980] has written "it is interesting to know that the coefficient of variation averaged only 11.7 per cent in 7 years of unrestrictive movements, 14.93 per cent la 5 large zone years and 19.42 per cent in 12 single state zone years". Even if my arguments were not clear to Vittal this observation of Raj Krishna at least should have made it explicit that as an impact of creation of zones, the wholesale price index would tend to increase at a faster rate than the rate at which the price realised by the farmers would increase.

#### V

# Are Farm Harvest Prices Poor Indicators of Prices Received by the Farmers?

Vittai has also asserted that farm harvest prices are poor indicators of prices received by the farmers. The main arguments of Vittal are re-produced below: "Our final major rejoinder concerns Tyagi's assertion that farm harvest prices are a better proxy for 'prices received by farmers' than are the wholesale prices used for constructing the index... For one thing, farm harvest prices across the country are difficult to collect... The farm harvest prices whose use Tyagi advocates are themselves based on a very small sample of what can be called 'farm gate prices' and it is surprising that Tyagi prefers their use to prices formed in the sub-district markets... But more important than this is the fact that the minority of farmers who'

### HOECHST INDIA LIMITED

Hoechst House, 193, Backbay Reclamation, Nariman Point, Bombay 400 021

### NOTICE

It is hereby notified for the information of the public that Hoechst India Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under sub-section (2) of section 22 of the Monopolies and Restrictive Trade Practices Act. 1969 for approval to the establishment of a new unit. Brief particulars of the proposal are as under

1 Name & address of the applicant

Hoechst India Limited Hoechst House 193 Backbay Reclamation Nariman Point

Q Capital structure of the applicant organisation

a) Authorised capital

b) Subscribed capital

c) Paid up capital

3 Management structure of the applicant organisation indicating the names of the Directors including the Managing/ Wholetime Directors and Manager if any Rs 100 000,000 divided into 1,000,000 Equity Shares of

Rs 100 each

Bombay 400 021

Rs 95 769,000 divided into 957 690 Equity Shares of

Rs 100 each

Rs 95 769 000 divided into 957 690 Equity Shares of

Rs 100 each

The company is managed by the Managing Directors under the overall supervision and control of the Board of Directors

Names of Directors

1 Mr Vijay Mallya — Chairman

2 Dr E Baltin - Managing Director

3 Mr S V Divecha 4 Dr H G Janson

5 Mr F A Honigmann (alternate to Dr H G Janson)

6 Prof Dr G Korger 7 Mr D Laengenfelder 8 Mr H Sreeniyasa Rao

9 Mr H Steinjan

New Unit

of Gujarat

Not Applicable

4 Indicate whether the proposal relates to the establish ment of a new Undertaking or a new Unit/division

5 Location of the new Undertaking/Unit/Division

6 Capital structure of the proposed undertaking

7 In case the proposal relates to the production, storage, supply, distribution marketing or control of any goods/articles, indicate

(i) Names of goods/articles

(ii) Proposed licensed capacity

(III) Estimated annual turnover

8 In case the proposal relates to the provision of any services state the volume of the activity in terms of usual measures such as value, income, turnover, etc

9 Cost of the project

10 Scheme of finance, indicating the amounts to be raised from each source

Anilofos (AROZIN) Technical and formulations based

Ankleshwar, a notified backward area in the State

thereon 500 MT pa

Rs 95 crores at full capacity

Not applicable

Rs 6 crores

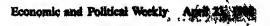
Rs 3 crores from internal resources

Rs 3 crores from borrowings

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

Sd/-Cl Jain Secretary

Place Bombay Date 641988



are the biggest surplus-producers (and therefore whose prices influence the market) do not sell at harvest: they hold on to produce selling the maximum in the lean season in order to benefit from high prices" (emphasis added). Thus the use of harvest prices will completely misrepresent the prices received for the major part of the volume of grain traded.

Thus according to Vittal farm harvest prices cannot be taken to represent the prices. received by the farmers since (a) these are based on a very small sample and (b) large producers whose prices influence the market do not sell at harvest. Let us look at the facts. The farm harvest price of a commodity is defined as the average wholesale price at which the commodity is disposed of by the producer to the trader at the village site during the specified harvest period. 16 Generally, 10 villages are selected in each district. The average harvest price for the state as a whole is worked out for each crop as a weighted average, using the district production figures for the current year as weight. Thus in a state like Uttar Pradesh, the farm harvest price for the state for a commodity like wheat may be based on sample of about 500 villages. As against this, in the construction of wholes ale price index for wheat, quotations from only 5 markets from UP are considered, and one of them is Kanpur-a market where 'issue price' is considered as the quotation. Thus the farm harvest prices are based on a more representative sample than the whole price index. It may be mentioned that at present 12 states and 2 union territories are collecting the data.17 The data in other states are also being collected though only for a few selected centres.

Now let us look at the other contention

labelled as an important fact, viz, minority of the farmers who are biggest surplus producers do not sell at the harvest. The facts, however, indicate just the opposite. For example, in Punjab during the period April to June, i e, the farm harvest period for wheat, 92-93, per cent of the total wheat arrivals during a year, are during this period. 18 Unless one believes that the blg surplus producers of Punjab accounted for less than.8 per cent of the total marketed surplus in Punjab which arrives in the market after July, one will have to infer that even the large farmers dispose of their produce during the farm harvest period. Similarly, in the case of Haryana as much as 93 per cent of the total market arrivals of wheat during a year hit the market during the period April to June, i e, farm harvest period. 19 Hence, Vittal's statement that farm harvest prices are based on a very small sample is factually incorrect and therefore the derived logic has no ground. Further, irrespective of who sells, i e, big or small farmer as far as price received by the farmers is concerned the relevant period is when lion's share gets disposed and it is nothing else but the farm harvest period. Thus, it is evident from the above discussion that by any logic farm harvest prices score over the use of wholesale price index for ascertaining the change in the price received by the farmers.

Another very serious limitation of the price index for the group 'agricultural commodities' in truly reflecting changes in the prices received by the farmer arises on account of the fact that the weights given to different commodities are not based on the share of these commodities in the total sales by the agricultural sector. For example, in the wholesale price index (base 1970-71=100) the weight given to gur—a commodity in-

cluded in the agricultural commodities is 4.558 as against a weight of 5.131 for rice and of 3.417 for wheat. The percentage share of gur, rice and wheat in the group agricultural commodities works out to be 11.28, 12.69 and 8.45 respectively. It is well known that the share of wheat and rice in the total sales of the agricultural sector is much higher than that for gur but in the construction of the Economic Adviser's Index Numbers of Wholesale Prices, the weight given to gur is higher than that for wheat and is close to that for rice. A detailed analysis carried out by us [Kahlon and Tyagi 1983] revealed that the respective shares of wheat and rice in the total sales by the agricultural sector were 10.28 and 19.82 per cent as against a share of only 1.40 per cent for gur. Since in the case of many other commodities also, a similar situation holds good, the price index for the group 'agricultural commodities, cannot be used to ascertain the changes in the prices received by the agricultural sector.

### VI

### Income Terms of Trade and Purchasing Power: Who said What?

In our paper of 1980 we have stated "Following Kindleberger's concept of capacity to import expressed as  $\frac{Px}{Pm} \times Qx$  where Qx is the index of quantity exported some research workers have followed it up to estimate income of terms of trade" We have further stated "In fact the concept of

income terms of trade defined as  $\frac{Px}{Pm} \times Qt$  can be itself mislcading in the context of two sector model since, based on this formula, the terms of trade (income) of both the sectors could register significant increase, leading to a conclusion that the purchasing power of both the sectors had increased". We have concluded "Thus the concept of income terms of trade based only on the volume of exports of one sector is mislcading".

This has been interpreted by Vittal as under: "Kahlon and Tyagi as we have seen

TABLE 1: PRICES, PRICE RELATIVES AND PRICE INDEX

Price	Ba	ise Year	Terminal Year		
Considered 2	Price 3	Price Relatives	Price 5	Price Relatives 6	
Open market	100	100	200	200	
Issue price	90	100	200	222 211	
	Considered 2 Open market	Considered Price 2 3  Open market 100 Issue price 90	Considered         Price         Price Relatives           2         3         4           Open market         100         100           Issue price         90         100	Considered 2         Price 3         Price 4         Price 5         Price 5           Open market 100         100         200           Issue price         90         100         200	

TABLE 2: PRICES OF WHEAT IN DEFICIT AND SURPLUS AREAS IN YEARS OF FREE MOVEMENT AND ZONAL RESTRICTIONS

(Rs per quinta!)

Year	Zonal		Surplus Area			Deficit Area			
(1)	Restriction/ Free Movement (2)	Punjab (Amritsar) (3)	Haryana (Karnal) (4)	Uttar Pradesh (Hapur) (5)	Bihar (Patna) (6)	Karnataka (Bangalore) (7)	Maharashtra (Aurangabad) (8)		
1970-71 <i>i</i>	Free movement	82.67	81.00	84.33	107.00 (129.4)	115.33 (139.5)	105.33 (127.4)		
1974-75	Single-state	(100.0) 112.33	(98.0) 126.33	(102.0) 121.00	192.67	246.67	182.67		
1975-76	zones Single-state	(100.0) 108.33	(1 <b>24.6</b> ) 118.33	(107.7) 119.33	(171.5) 159.33	(219.6) 208.33	(162.6) 208.33		
1976-77	zones Single-state	(100.0) 105.00	(109.2) 109.67	(110.1) 98.67	(147.1) 127.00	(192.3) 152.00	(192.3) 144.67		
	zones	(100.0)	(104.4)	(94.0)	(121.0)	(144.8)	(137.8) 144.00		
1979-80	Free movement	116.33 (100.0)	11 <b>5.00</b> <b>(9</b> 8.9)	11 <b>5.00</b> (98.9)	125.60 (107.5)	180. <b>00</b> (154.7)	(123.8)		

Note: Figures in parenthesis show indices, taking the Amritsa: price as 100 for each year.

insist that 'income terms of trade' in this sense is a misnomer for it does not measure the relationship between sectors. An apt term would be purchasing power which would correct such income terms of trade for quantity of imports into the sector as well" (emphasis added). She has again mentioned "while Kahlon and Tyagi uphold the purchasing power of a sector as a true measure of terms of trade they do not actually discuss it. They stop at pointing out that income terms of trade of two sectors can increase or decrease simultaneously . .".

The foregoing makes it evident that though we have not advocated that 'purchasing power' is a true measure of 'income terms of trade' or it would correct income terms of trade etc, one wonders what made Vittal to make us the proponents of 'purchasing power' Was it to shift the discussion from the fact that 'income terms of trade' as calculated by Thamarajakshi is a misnomer, to that on 'purchasing power'? And since this concept is misleading therefore Kahlon and Tyagi to whom she makes the proponent of the concept were wrong.

#### VII

### Ignorance Is Bliss or 'Evils of Mis-representation'

In our paper of 1980, we have drawn attention towards the methodological drawbacks in the calculation of Qt, 1 e, index of quantity exported in the studies attempting at estimating income terms of trade. We have stated the following "while estimating the export of commodities from agricultural sector to non-agricultural for final consumption, the ratio (Rt) of consumption expenditure on agricultural goods (blown up estimate from NSS consumption data) by the non-agricultural sector to the total blown-up consumption expenditure (agricultural goods + non-agricultural goods) for the entire population (agricultural + non-agricultural) was calculated. This ratio (Rt) was then applied to CSO estimates of final consumption of agricultural goods by the non-agricultural sector which in turn was used as estimate of exports from agricultural sector. It is obvious that such a derivation could provide valid estimate only when the NSS blown-up estimate for agricultural products non-agricultural products and all products carry uniform porportionate relationship with the corresponding CSO estimates" (emphasis added). We have also mentioned "Again, the consumption expenditure data of NSS of 4th and 5th rounds used in these studies are not comparable with the data from the subsequent rounds owing to the differences in the reference period and method of evaluating the home grown components. Mukherjee [1968] and Chaudhary [1979] have pointed to this noncomparability of estimates. The effect of the use of 4th and 5th round data in various studies has been that while for 1951-52 and 1952-53, (based on 4th and 5th round) the

value of Rt worked out at 16.24 and 16.92 respectively, it jumped to 18.93 in 1953-54 and 19.34 in 1954-55. These ratios, when multiplied with CSO's estimates of total consumption expenditure, gave underestimates of the consumption of agricultural goods by the non-agricultural sector in the base year. Thus while the estimates for the base year got underestimated, those for the terminal year got inflated."

Further, for illustrating the point as to how the non-correspondence in the consumption expenditure on agricultural and non agricultural commodities estimated from NSS and CSO data may lead to inflating Rt we have provided a table. Since we were interested only in drawing attention towards the limitation of the methodology adopted by Thamarajakshi for calculating Qt and not in generating a series of marketed surplus as we have discarded the concept of income terms of trade as misleading, 20 in that table we have used data for the years 1961-62, 1969-70 and 1970-71 But it appears that Vittal has not been able to comprehend even this argument, that is why she has written the following: "This at once brings us into the next problem with their table. In trying to show through columns 9 and 10 respectively, that NSS blown up estimates overstate expenditure on agricultural commodities and underestimate that on nonagricultural commodities, Kahlon and Tyagi are committing an obvious error The point is that NSS blown up estimates do not equal CSO figures-which is why Thamarajukshi only adopted NSS proportions since these were derived from nationwide surveys of expenditure by individual consumer households What is important, however, is that there is a consistent difference between NSS and CSO figures, rather than a widening one as Kahlon and Tyagi claim" (emphasis added)

She goes on further and states "A great deal of attention has been devoted to Kahlon and Tyagi's critique of Thamarajakshi's estimation of marketed surplus (or exports from the agricultural sector) because of the importance of exercise to terms of trade analysis Kahlon and Tyagi's table of original and adjusted Rt is extremely misleading: their calculations are shown to be erroneous. Reworking their data has allowed us to spot these errors. While it is true that Thamarajakshi's method may have imperfections. they are not those pointed out by Kahlon and Tyagi. Their own 'adjusted' Rt, which form the basis of calculating their indices of exports from the agricultural sector is even more imperfect having rejected NSS estimates for being blased upward, they see no reason to discard its sectorwise break-up" (emphasis added).

Let me state the issue once again. In Thamarajakshi's methodology, from the NSS data blown up (for the total population) estimates of total consumption expenditure are derived under four groups, viz, (a) agricultural commodities consumption by

agricultural sector say S1, (b) nonagricultural commodities consumption by agricultural sector say S2, (c) agricultural commodities consumption by nonagricultural sector say S<sub>3</sub>, and (d) nonagricultural commodities consumption by non-agricultural sector say S4. The total consumption expenditure  $S=S_1+S_2+S_3+S_4$ , consumption expenditure on agricultural commodities is  $S_a = S_1 + S_2$  and on non-agricultural commodities it is  $S_{nn} = S_2 + S_4$ . Rt is calculated as  $S_{3/5}$ . This Rt is then multiplied to the total private final consumption expenditure estimates prepared by the CSO. From the estimates of final consumption expenditure prepared by CSO through commodity flow approach it is possible to derive estimates of consumption expenditure on agricultural commodities say Ca and on non-agricultural commodities say  $C_{na}$  with total consumption being  $C = C_a + C_{na}$ . The methodology adopted by Thamarajakshi for estimating Qt, 1 e, for marketed surplus can generate valid estimates only when the proportionate relationship of S with C of S, with C, and of Sna with C<sub>na</sub> remains invariant over time. If, however, NSS data indicate that the ratio of agricultural commodities consumption expenditure to total, i e, Se has in-

creased over the years whereas the ratio

has not displayed such a behaviour then multiplication of Rt to C would inflate the value of consumption expenditure on agricultural commodities by the non-agricultural sector. This would happen because then a part of C<sub>na</sub>, 1e, non-agricultural commodities consumption expenditure in the economy would get reflected as consumption on agricultural commodities.

Now let us look at the facts again. The data on per capita consumption for a period of 30 days based on successive rounds on NSS is reproduced in Table 3. It would be seen from the table that whereas in 1951-52, the share of non-agricultural commodities in the per capita consumption was 41.5 per cent in rural areas and 54 per cent in urban areas, by the year 1961-62 it declined to 37.4 per cent for rural areas and 43.3 per cent for urban areas. Thus the NSS data indicates the share of non-agricultural commodities has declined whereas that of agricultural commodities in the total consumption expenditure has increased over time. However, as per the economic development theories one would expect the share of agricultural commodities to decline. Even a cursory analysis of CSO data on private final consumption expenditure indicates that as expected the share of agricultural commodities in the total consumption expenditure has shown a gradual decline as against a perceptible increase revealed by the NSS data (see Table 3). The implication of applying Rt estimated from NSS data to CSO data without bringing the sub-group totals derived from NSS data in line with the CSO data would be that the value of Qt would get inflated due to the consumption of agricultural commodities by the non-agricultural sector being exaggerated. It was precisely for this reason that we had inserted a table in our 1980 paper to highlight the methodological point.

It is evident from the above that we have neither taken a position in favour of NSS or the CSO data but have tried to show limitations of the methodology adopted by Thamarajakshi. Thus the question that Vittal raises regarding NSS data should have been addressed to Thamarajakshl and not to us. The crucial point is, what difference it makes to the value of Qt. Based on NSS data alone the consumption expenditure on agricultural commodities by the non-agricultural sector during the period 1951-52 to 1961-62 increased from Rs 1471.70 crore to only Rs 1962.39 crore whereas when estimated by multiplying Rt to CSO data it increased from Rs 1394.16 crore in 1951-52 to Rs 2372.75 crore in 1961-62 (see Table 4). Thus, Qt i e, marketed surplus would have increased at much slower pace had Thamarajakshi used NSS data alone. The faster increase in the series based on the methodology of applying Rt to CSO is, to an extent, the result of consumption expenditure of non-agricultural commodities (C<sub>na</sub>) being attributed as consumption of agricultural commodities by the non-agricultural sector. The modified R<sub>T</sub> suggested by us was to take care of this misallocation. As 1 have stated above our intention was only to focus attention on a methodological point and not in generating an alternative series, we cannot be criticised for not taking into account all the developments in the literature on estimation of marketed surplus.21

# VIII How Small is Small?

On our observation that Thamarajakshi's analysis is based on incomplete coverage particularly due to her non inclusion of the commodities in the group 'non-food', Vittal has asserted "With regard to the charge that 'non-food items' do not figure in the indices an examination of Thamarajakshi shows that such purchases are very low indeed and account for a negligible proportion by value of agricultural purchases by the farm sector" (emphasis added).

Let us look at facts. In her paper she has reproduced a table (Table 6 in her paper) from Thamarajakshi and according to this table in 1960-61 (the base year of Thamarajakshi's series) of the total estimated purchases by the agricultural sector for final consumption from the non-agricultural sector of Rs 3163.57 crore as much as Rs 1475.66 crore were on 'non-food'. Thus purchases by the agricultural sector of commodities grouped under non-food constituted 46.64 per cent of total purchases made by the agricultural sector for final consumption. Can 46.6 per cent be termed as negligible in research? If 46.6 per cent can

be considered as negligible then there is nothing that can be discussed on methodological improvements, as then facts, economic logic, etc, become irrelevant and fairly tales tend to acquire the status of gospel.

#### IX

### Factor Flows and Purchases of Certain Commodities for Capital Formation Purposes

The last point that I would like to discuss relates to the inclusion of items clubbed under the heading commodities purchased for capital formation purposes. On this Vittal has serious objections, to quote "if their list were to be adopted as the definitive one the terms of trade-by whatever measure net barter or income or purchasing power could not but help appear to be against the agricultural sector simply because of their introduction of 'capital formation goods'. With the exception of transport equipment and machine tools, all the purchase by the agricultural sector for this purpose are explicitly for building purposes. How much of the building material is used for 'capital formation' is not specified by Kahlon and Tyagi. It may be that at least as much cement, lime, bricks and tiles, are used for house-building as for pump-houses or the steening of wells. Thus in the absence of such a break-up, the blanket classification of building as being for 'capital formation' is suspect". She further states "Moreover, if a history had to be made of all transfers between sectors and not merely exchanges of inputs and outputs as described so far in terms of trade literature then it would certainly have to take into account for more than Kahlon and Tyagi could have us believed... It is for nothing that the foot-note to Thamarajakshi's. Intersectoral shopping list specifics that capital expenditure and factor flows are not considered."

Let us examine whether commodities purchased for capital formation purposes should be included in the list of products exchanged or not. The concept of terms of trade implies a comparison of prices at which trade has taken place between two sec

tors. Thus, all commodities and services exchanged at a price between the two sectors have to be considered irrespective of what use the commodity is put?22 It is not necessary that a commodity purchased must be used as input or for final consumption. Hence, there is every reason to include those commodities also which are not purchased by the agricultural sector for input use or for final consumption. Therefore, had we not included the commodities like agricultural implements, cement, iron, steel, etc, in the list of commodities purchased by the agricultural sector our commodity coverage would not have been complete. It ought to be appreciated that the terms of trade implies comparison of the prices paid and prices received by a particular sector. Thus price paid for all commodities whether used for final consumption, intermediate consumption or for capital formation purposes have to be considered. Factor flows and purchase of commodities by a sector for purposes which in the national account statistics gets classified as capital formation are not one and the samething.

TABLE 4: ESTIMATES OF PURCHASES MADE BY THE NON-AGRICULTURAL SECTOR, OF AGRICULTURAL COMMODITIES FOR FINAL CONSUMPTION

(Rs crore at 1960-61 prices)

Year	Based on NSS Data Alone	Based on RT × CSO Data (Thamarajakshi Approach)		
(1)	(2)	(3)		
1951-52	1451.70	1374.16		
1952-53	1553.89	1623.14		
1953-54	1482.29	1999.75		
1954-55	1569.35	2011.24		
1955-56	1859.69	2186.00		
1956-57	1686.26	2256.78		
1957-58	1719.08	2128.35		
1958-59	1772.84	2104.34		
1959-60	1773.35	2125.11		
1960-61	1893.77	2196.35		
1961-62	1962.39	2372.75		

TABLE 3: PER CAPITA CONSUMPTION EXPENDITURE FOR A PERIOD OF THIRTY DAYS

(Rs)

Year	1951-52	1952-53	1953-54	1954-55	1961-62	1960-61
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Rural						
Agricultural products	12.62	11.40	10.58	9.06	13.56	13.24
Non-agricultural products	8.95	8.41	6.66	5.90	8.11	8.20
Total	21.57	19.81	17.24	14.96	21.67	21.44
Per cent share of non-						
agricultural products	41.49	42.45	38.63	39.44	37.42	38.25
Urban						
Agricultural products	13.23	13.29	12.88	12.28	15.91	15.77
Non-agricultural products	15.56	15.27	11.00	12.41	12.13	13.85
Total	28.79	28.56	23.88	24.69	28.04	29.62
Per cent share of non-						
agricultural products	54.05	53.47	46.06	50.26	43.25	46.76

Note: Based on NSS data.

### X Conclusion

We have seen above that each of the criticisms by Vittal of Methodological improvements suggested by us was based on factually incorrect information. For similar reasons the arguments advanced in defence of methodology adopted by research workers prior to publication of our paper have no validity. It ought to be appreciated that methodological improvements in empirical economic research is a never ending process, therefore to take the position that somebody had attained the utlimate level of perfection would be wrong. This holds good in the case of estimation of terms of trade also. We have suggested some improvements over the methodology adopted by earlier researchers and it is possible that somebody in the near future may improve upon the methodology suggested by us. In fact, we ourselves have indicated some areas where further refirements in the methodology were possible. If that happens that would be a welcome development. According to Vittal the 'issues of inter-sectoral terms of trade are issues of political economy' and 'to equate them with endless calculations is to deflect the debate'. In this context, it needs to be stressed that if the corpus of a theoretical edifice supporting a specific view point can stand at its own only when a particular statement is true then the validity of that statement assumes a critical significance. And if the validity of this statement based on observable phenomenon can be checked only through 'endless calculations' then these calculations are an integral part of any empirical science.

### Notes

- 1 For a detailed discussion of logic and scientific methods see May Brodbeck [1967].
- 2 See Ashek Mitra [1977].
- 3 See Tyagi D S [1979].
- 4 See Kahlon and Tyagi [1980].
- 5 In addition to many other points, we have argued that it is questionable to regard the entire range of basic industrial chemicals as commodities purchased by the agricultural sector. But in the group 'manufactures' such commodities are included. It would thus be erroneous to compare the price index for the group of 'agricultural commodities' with that for 'manufactures' for inferring about the movement of terms of trade.
- 6 For example Dantwala [1984] states "On the highly sensitive question of terms of trade also the author 'conclude' that most of the earlier studies—Dhar [1968], Sethi [1971], Thamarajakshi [1969, 1971] and Venkataramanan [1979]—which have found that the terms of trade between 1964-65 and 1973-74 and even earlier from 1951-52 had, by and large, moved in favour of agriculture "sufficed from serious limitations on account of limited coverage, use of improper weights, mappropriate price indicators, adoption of incorrect method for estimating the volume of exports, and the use of a method for constructing price indicates

- which, on a priors reasoning, would underestimate the rise in the prices of agricultural commodities" (p 254). Indeed a formidable indictment.
- 7 See Nalini Vittal [1986].
- 8 See Chandhok H L [1978].
- 9 This practice continued even in the 60s when the share of imports in the total availability of cotton has declined from over 30 per cent in early 50s to less than 10 per cent in 60s.
- 10 It is well known that the farmers in India dispose of their produce in the form of kapas which is then ginned and pressed. The price quotations in the important consuming markets like Bombay are only for these fully pressed bales of cotton lint. The prices of kapas and lint can move, in a given period, in different directions for many reasons including the changes in the price of cotton seed.
- 11 The wholesale price of kapas of Laxmi variety at Hubli market in Karnataka were quoted at Rs 70.50 per quintal in April 1976 and at Rs 91.00 and Rs 95.00 per quintal in May and June 1966 respectively where as the derived floor price for kapas on the basis of officially fixed floor price of Rs 877 per candy for Vidarbha MP VIrnar (Fine 27/32") variety worked out to be as high as Rs 115-137 per quintal for Laxmi variety. See Directorate of E and S [1976] and A P C [1967].
- 12 During 1965-66 ceiling price was fixed at Rs 1,109 per candy for Vidarbha M P Virnar variety. The derived ceiling price for Laxmi variety of kapas would work out at Rs 145-173 per quintal. The prices of Laxmi variety at Hubli had touched the level of Rs 185 per quintal in September 1966. Thus, despite Dantwala belng right, it is unthinkable to infer from prices crossing the ceilings that the farmers have succeeded in realising higher prices.
- 13 With the imposition of movement restrictions supplies get bottled up in the surplus areas and therefore prices tend to rule easy whereas in the deficit areas in the absence of supplied prices tend to rise.
- 14 With the objective of holding the price line the 'issue prices' were kept at levels much lower than the open market prices.
- 15 Incidentally, Raj Krishna's main argument against zonal restrictions in his famous note of dissent in the APC report was that it would result in increasing the prices in deficit areas disproportionately.
- 16 See Directorate of Economics and Statistics [1982].
- 17 See Kahlon and Tyagi [1983].
- 18 In the eighties more than 90 per cent of arrivals have been in the 1st quarter. The concentration has become so intense that during 1984-85 season as much as 72 per cent of total market surplus arrived in the market in a five week period ending June 1, 1984 [CACP 1985].
- 19 During the 1980-81 season as much 93.33 per cent of arrivals were during the period April-June. See Directorate of Economics and Statistics [1986].
- 20 In our paper we have demonstrated with the help of a table as to how misleading the concept of income terms of trade is. Incidentally Vittal in her paper also agrees

- with it.
- 21 Vittal has written "it is incomprehendable why Kahlon and Tyagi remained so silent on other significant developments in the literature on estimation of marketed surplus".
- 22 In the analysis of terms of trade all commodities that are exchanged at a price between the sectors have to be considered. Of course, services like the extension, education, etc, that are provided by the government free of charge would get excluded,

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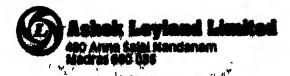
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### Women as Gendered Subjects

Cultural ideas, values and mores have played an important role in creating women's images of themselves and in reinforcing gender dichotomy. Examining the rituals and ceremonies which Hindu girls are expected to participate in throws much light on this process of socialisation.

WS-11

Hindu mythology offers two contrasting female paradigms—the all-powerful mother goddess and the virangana. The virangana of north Indian lore challenges the patriarchal premises of society and may present a useful model for today's women in their search for a mythic identity within the boundaries of cultural authenticity. WS-25

Psychological research in India has paid scant attention to the devaluation of women and its roots in social processes and structures. Nor has it begun to probe how patriarchal relations arise or to focus on the changing forms of gender oppression.

WS-20

### Indian Banks Abroad

While major changes have been taking place in international banking, the performance of Indian banks overseas has been chequered. Although branch expansions took place rapidly in the mid-70s, these, instead of contributing to profits, turned out to be a significant drain on the head offices. A fundamental change in approach to overseas banking is necessary to forge a dynamic policy for this sector.

### Travesty of Relief

Blaming the drought for the misery of the people of Kalahandi oversimplifies a situation which is reloted in the history of the region. Despite nationwide attention from the media and the centre, Kalahandi continues to suffer. 866

### The Food Weapon

US farm policy is directed at helping the US further restructure the world food system to the disadvantage of third world countries as well as US farmers.

### Ethnic Groups and State Power

When one or more of the strands of ethnic consciousness get entangled with the regulatory or coercive powers of the state, ethnopolitical issues are born and nurtured. A number of such issues have come up in the ASEAN countries. While they have not been successful entirely in dealing with these issues within their individual territories, they have been able to prevent them from escalating into international tentions.

### Beyond the Compensatory Model

Women's Studies stems from the belief that women suffer from systemic social injustice because of their sex, over and above other forms of injustice in society.

The current paradigm in Women's Studies, a compensatory model which views women as a disadvantaged group, has prevented it from addressing the inherent contradictions.

### **Nuclear Exposure**

The issue of the health effects of exposure to low-level radiation is a very complex one. The kind of research undertaken by BARC scientists which purportedly shows that low level radiation is harmless, even beneficial, is not only a waste of resources but is unscientific and irresponsible as well.

### Fiscal Irresponsibility

Fiscal irresponsibility of the central government has been a major factor in encouraging similar fiscal behaviour in many states, leading to a steady excellent of the saving rate in the Indian economy.

### Attack on Free and Rational Enquiry

WE, the undersigned, strongly condemn the decision of the government of Gujarat to prosecute Makrand Mehta, Ghanshyam Shah and Achyut Yagnik-under section 295A of IPC-in connection with a research paper published in an academic journal in Gujarati. The paper is titled "Sectarian Literature and Social Consciousness: A Study of the Swaminarayan Sect, 1800-1840" by Makrand Mehta and appeared in Arthat (October-December, 1986). The journal is edited by Ghanshyam Shah and Achyut Yagnik and is published (quarterly) by the Centre for Social Studies, Surat. Makrand Mehta of Guiarat University is an eminent historian and is president of the Gujarat Ithihas Parishad. Ghanshyam Shah is an internationally acclaimed social scientist working at Centre for Social Studies, Surat, and Achyut Yagnik is a social worker and executive member of People's Union for Civil Liberties (PUCL).

The main contention of Mehta in this article is that historlans have to distinguish between facts and myth while studying social processes. He argues that traditional historians in Gujarat have used folk customs and idioms to explain contemporary social customs and traditions. They have maintained written and oral cultural and literary traditions of Gujarat. For them facts, as modern day historians understand them, did not have as much importance as mysterious cyclical historical events. Mehta further says that though new sects and saints, as also political conflict, occasionally disturbed social equilibrium, social forces again got reinstated, resulting in the maintenance of the status quo. The Swaminarayan sect is not an exemption to this tradition. The purpose of the article is to examine the Swaminarayan literature in its social context in order to exemplify its basic theoretical position. Mehta uses both primary and secondary source materials in the article.

With little justification, some fundamentalists have seen in the article an outrage upon their religion and upon Swaminarayan whom they regard as god. One of the charges levelled by them against Mehta is that he treats Swaminarayan as a human being and not as god.

As for Arthat, in its October-December 1987 issue it carried two critical comments on Mehta's paper, along with the latter's reply. Notwithstanding this debate—which is in keeping with the tradition of the journal—some followers of the Swaminarayan sect filed a case under section 295 A of the Indian Penal Code alleging that it was "the deliberate and mallcious Intention" of the author, editors and publishers "to outrage the religious feelings of the followers of the Swaminarayan sect". The government of Gujarat gave its consent to these religious fundamentalists to file a case against Mehta

and the editors of Arthat. The government concluded: "The said act on the part of the said author is such as is bound to be regarded by any reasonable man as grossly offensive and provocative and deliberately intended to outrage the fedings of the followers of Swaminarayan Sampradaya."

The action of the government is a flagrant violation of the freedom of thought and expression in general and of academic freedom in particular. Its action is particularly reprehensible because it has sanctioned the prosecution without even instituting a preliminary enquiry into the case.

As believers in the values that are integral to a democratic, secular and rational society, we condemn the act of the Gujarat government. If permitted to go unchallenged, such acts will spell the end of all free and rational enquiry and create a situation in which we will have by way of history nothing but what these obscurantist forces would compel us to believe. They ought to be seen for what they are—an attempt to erode our most fundamental rights and ideals.

R Nagaraj, Sebastian Morris, Anusua Bhattacharjee, Geeta Gouri, Usha Ramachandra, R Nandagopal, M Jayadev, V G Sudhakar Reddy, G Satyanarayana, Ranjani, G Sudha, K Srinivas, I Mallikarjuna Sharma, Rita Mukherjee, Alice Morris, G Vijaya Kumar, R Radhakrishna, Prama Hanuman, K V Anjaneyu, S V Krishna Mohan, A Surendra Raju, S Ramachandra Rao and S Venkatasubbajah

Hyderabad.

### II

We wish to express our deep sense of shock and outrage at the way in which the Gujarat government has sanctioned the prosecution of Makrand Mehta and Ghanshyam Shah and Achyut Yagnik for a research paper on the historical development of the Swaminarayan sect between 1800 and 1840, published by them in a serious academic journal. The charges brought against them under section 295 A of the Indian Penal Code speak of this publication as "grossly offensive and provocative and deliberately intended to outrage the feelings" of a particular religious group. The cavalier manner in which the Gujarat government has sanctioned this prosecution constitutes a dangerous attack on academic freedom and on the democratic rights of citizens.

We wish to note that there is nothing in the careers of the three persons being prosecuted (as author, editor and publisher of the article in question) or in the history of the journal Arthat which carried the article or in the record of its limited circulation that lends credence to the kind of charges levelled against them. Makrand Mehta, the author of the article, is an eminent historian who holds the Chair of History at Gujarat University and is president of the Gujarat Ithihas

Parishad. He was president of the modern India section of the last Indian History Congress, a body known for its efforts to promote secular and democratic values in history writing. Ghanshyam Shah, editor of Arthat, is a social scientist of International repute who was until recently director of the Centre for Social Studies, Surat, one of the outstanding social science research institutes in the country; and Achyut Yagnik, its publisher, is a leading social worker and member of the National Executive of the People's Union for Civil Liberties.

We should note too the Arthat, which has been published by the Centre for Social Studies, Surat, quarterly since 1981, aims to promote scholarly discussion and debate among specialists and other Interested people on issues related to the building up of a democratic and secular society in India. Its limited circulation is an indication of its primary academic and scholarly concerns. Articles on the history and development of religious thought and religious communities are a necessary part of this scholarly concern; such articles have been published before not only in Arthat but in other similar academic journals all over the country, and two critical responses to Mehta's article have also already appeared in Arthat.

The present case is not of course the first instance when people in authority have sought to use their powers to curb academic freedom and control the manner and purpose of intellectual debate. It must be one of the first times, however, when an elected government in what is meant to be a democratic polity has sanctioned the prosecution of leading academics and publishers for some part of their scholarly work without even instituting a preliminary enquiry into the validity of the allegations made against that work.

We condemn in the strongest terms possible this flagrant violation of the right of our citizens to freedom of thought and expression, and the elementary right of intellectuals and journalists who write with some sense of their responsibility towards the public to be given a hearing before such serious charges are taken to court and warrants are issued against them.

Irfan Habib, Ravinder Kumar, Upendra Baxi, D N Jha, Sumit Sarkar, Harbans Mukhia, Bipan Chandra, Mushirul Hasan, G P Deshpande, Geeta Kapur, Vivan Sundaram, Suresh Sharma, Rajiv Kumar, Anuradha Kapur, Prabhat Patnaik, Krishna Bharadwaj, Utsa Patnaik, Zoya Hasan, Sudipto Kaviraj, Sabyasachi Bhattacharya, Neeladri Bhattacharya, Aparna Basu, Arundhati Virmani, Monica Juneja, K M Shrimali, Shahid Amin, Gyanendra Pandey, Ashish Banerji, Kumkum Sangari, Tanika Sarkar, Uma Chakravarti, Purushottam Agarwal, Dilip Simeon, Chitra Joshi, Pragati Mahapatra, Vasudha Pande, Sanjay Sharma, Rana Behl, Anil Sethi, Kapil Kumar

# Following the ASEAN Model?

he prime minister's visit to Japan earlier this month, though brief and formally for nothing more momentous than the inauguration of the Festival of India in Japan, may turn out to be something of a milestone in the evolution of the government's economic policies. The high point of the visit was not so much Rajiv Gandhi's meeting with the Japanese prime minister as that with a group of Japanese businessmen There has been no attempt to hide the fact that the meeting had been sought by the Indian prime minister or that its purpose was to cajole the Japanese businessmen to expand their direct investment in the Indian economy But what lends special significance to the episode is that in economic policy making circles in New Delhi it seems to have been taken as the signal to cast off all inhibition and quite openly project enlargement of foreign private investment as being now a principal objective of the government's economic policies

Rajiv Gandhi told the Japanese businessmen in Tokyo that India was keen to attract Japanese investment into "a wide range of industries" and promised the setting up of a single window clearance system for Japanese investment proposals under the supervision of the prime minister's office itself. Four days later, addressing a conference organised by the Confederation of Engineering Industry in New Delhi, the prime minister reiterated the importance attached by the government to foreign private investment and, pointing out that efforts made so far in this regard had not been good enough, expressed his resolve to review the norms for approval of foreign investment and streamline procedures so as to remove irritants to potential foreign investors Most important of all, even at the AICC(1) session near Madras the prime minister, departing briefly from the populist rhetoric which not unexpectedly marked the occasion, spoke of the importance of attracting foreign investors

There are those who have extended a welcome, even if a guarded one, to the government's economic liberalisation policies in the expectation that they would essentially be confined to the domestic economy and would not extend to opening up the economy to liberal imports of goods, technology or capital The government's recent policy pronouncements, including the threeyear import-export policy announced last month, have belied these expectations. It is clear that it never was the government's intention to confine the removal and relaxation of regulations to the domestic economy alone. At the Confederation of Engineering Industry meeting the prime minister explicitly regretted the fact that "our efforts at streamlining procedures, which have yielded good results in the area of domestic industrial licences, have not been effectively extended to foreign investment proposals". And speaking to Japanese businessmen in Tokyo the prime minister clearly hinted that this had happened because the government's efforts had "come up against vested interests" which had "managed to place hurdles" in the way of these efforts. So if the liberalisation of the government's external economic policies has been somewhat gradual it is not due to any reservations about the adverse consequences of such liberalisation but only because of the resistance put up by Indian industrialists and businessmen who have wanted to safeguard from external competition the relatively protected positions they have built up for themselves in the economy

Addressing the Confederation of Engineering Industry meeting the prime minister pointed out how foreign private investment in India was only around Rs 100 crore annually compared to Rs 1,500 crore in the ASEAN countries. The government has apparently set itself the target of raising the level of foreign investment to Rs 500 crore per annum. What should be cause for concern even more is the terms in which the case for foreign investment is being put forward by the government The prime minister told the engineering industry meeting how direct foreign investment was preferable to foreign loans. Loans, he said, had to be repaid whether or not they were productively used whereas the question of any return on direct foreign investment would arise only after the project in question went into production and became profitable. The notion that direct foreign investment can substitute for loans is naive Even if wishes were horses and the government succeeded in expanding the level of foreign investment five-fold, what contribution would this make to assuaging the country's balance of payments difficulties with the annual trade gap running at Rs 8,000 crore or more? On the contrary, foreign investment invariably entails additional imports-of capital goods and of components and raw materials on a continuing basis—so that larger foreign investment will almost inevitably necessitate larger borrowings as well to finance the additional import bill Certainly this has been our experience with Maruti Limited which the government evidently regards as the model of the benefits of foreign investment. The notion that the servicing of foreign investment is likely to impose a lesser burden than the servicing of foreign loans is even more jejune. Quite apart from the many linked costs of foreign investment in the form of fees and charges and transfer pricing of imports tied to the investment, it is a rare instance of foreign investment where the investor does not expect to recover his investment in the form purely of dividends in half a dozen years or less The Reserve Bank of India's periodic surveys of foreign collaboration in Indian industry amply bear

It is not as if these facts are not well known enough. The government is nevertheless taking a starry-eyed attitude to foreign private investment. In this context it is noteworthy that in the government's thinking the countries of ASEAN have now explicitly emerged as the models for India to follow, not only did the prime minister himself ruefully draw attention to the vast difference in the flow of foreign investment into these countries and into India but it is being suggested on behalf of the government that, following these countries, we should be aiming to step up the level of our imports from about 7 per cent GDP at present to 10 to 12 per cent of GDP. In this projected scenario of import-led growth, foreign private investment will naturally have a place of honour

# TECHNOLOGY MISSIONS Apolitically Political

THE five national technology missions were initiated in 1985, but since last year they have acquired a new flavour. This is not surprising considering that it is only since then that Sam Pitroda has been in charge of these missions. Fresh from his C-DOT success, Pitroda has refined the mission approach and given it its current high profile and '21st century' thrust. The jargon is familiar and the content irrelevant.

The Pitroda design of the technology missions is tailor-made to appeal to the upwardly mobile—the urban, the rural as well as sections of the voluntary sector. Here in fact is the master plan which India's technocrats have been looking for—an opportunity to harness their experience and the talents of the Indian educated middle classes.

Each of these missions, whatever else they may or may not do, will certainly generate, for some, new production areas with an assured market—cold chain equipment for the immunisation mission, telecom equipment and accessories for the telecommunications mission, technology inputs for the supply of quality drinking water to the 1,00,000 'problem villages', better blackboards, more efficient printing technology, and so on. For some of the rural elite there are other benefits—improved seeds, better post-harvesting techniques—as a fall-out of the oilseeds mission.

These missions, chosen carefully on the basis of inputs "received from the science and technology community in the country", are clearly those which will produce tangible, highly visible results at least in some areas. Those, like housing, which would involve confronting volatile political issues of ownership of land and right to living space have been left well alone.

The image that Pitroda is cultivating is that of a management-oriented technocrat in a hurry to get things done notwithstanding the obstacles placed by the 'system'. He is quick to advertise that he is naive about politics and ignorant about sociology. Although a state level structure has been created for the technology missions, Pitroda's band is effectively dealing directly with the district bureaucracy which in recent times has got increasingly discredited for its conspicuous association with the local dominant groups. Against this background, Pitroda's suggestions for administrative reforms to streamline the functioning of the government at these levels is bound to enthuse the bureaucracy.

Underlying all this is an important objective of the technology missions to draw attention away from the required

structural changes. It is in the context of the rumblings of mass discontent in the countryside and grassroots political mobilisation that the objective of these missions is best seen. In fact, 'people's participation' is the key phrase in the new Pitroda vocabulary. Given this, the technology missions could well appeal to some of those working to mobilise the masses on a variety of issues such as health, water, etc.

Pitroda's stress on the need to generate pressure on the system is not incidental. The mission approach with its accent on "openness, accountability and accessibility" is creating the forums which will channelise, regulate and monitor pressure from the people. In short, it is yet another step towards institutionalising the process of registering demands. The real danger is that Pitroda's appeal may, by co-opting those working with the masses, open yet another way for the state to interfere with and manipulate mass mobilisation.

### POLITICS

### **Hoodlum Days**

NEITHER inside the legislature, nor outside can the opposition hope 10 beat the Congress(1) in muscle power. Gangsterism which had been the hallmark of Congress politics all these years, has now moved from the streets to the august halls and corridors of the legislative assemblies. In Kerala assembly on March 16, a Congress(1) member while reportedly rrying to pull away a microphone from the speaker was alleged to have hit him, and as a punishment was suspended for the rest of the session. A little less than a fortnight later, in the West Bengal assembly, Congress(1) members created such a rumpus disrupting the proceedings of the House that the speaker had to suspend some of the party's MLAs—one of them having to be removed physically by the watch and ward staff as he refused to pay heed to the speaker's orders.

Congress(I) legislators do not spare even their own men. Recently, in the Rajya Sabha, which is presided over by a Congress(I) chairman, the members of the ruling party refused to listen to his ruling. compelling the chairman, Shankar Dayal Sharma, to threaten to resign. Senior leaders of the party like Sharma are now getting a taste of the new Congress(1) culture that they had allowed to breed. Local hoodlums who were once used by the ruling party to bully and terrorise opposition party workers, were in all likelihood rewarded with nominations for candidature in the elections in many states. A survey sometime ago revealed that quite a chunk of Congress(I) legislators in the present Bihar assembly either have past criminal records, or have criminal cases pending against them. Even if it is not so bad in other states, the behaviour of the Congress(I) legislators there suggests that they may be coming from a background where the morale of Al Capone perhaps prevail over May's parliamentary practices—the scripture by which the legislature speakers swear.

In the opposition-ruled states, the Congress(I) seems to have adopted tactics that are calculated to force the hands of the ruling party to take some drastic steps against Congress(1) legislators so that the latter then can don the attire of martyrs and seek public sympathy. Typical is the West Bengal case. The day after the suspension of the Congress(I) MLAs there, one of them tried to force his way into the assembly premises. When the police quite predictably arrested him, it provided the Congress(I) with the longawaited opportunity for enacting a drama. The MLA squatted in the lobby of the assembly sporting placards and raising slogans. It was an excellent way of getting publicity in newspapers in West Bengal, where the Congress(1) otherwise fails to capture headlines unless its internal factional squabbles explode into pitched battles in the streets.

The opposition parties are not to be left far behind. But, compared to their main rivals, their efforts in the Congress(1) ruled state legislatures look like kindergarten stuff, even when they have legitimate reasons for demonstrating their protest. In Uttar Pradesh, for instance, opposition legislatures were beaten up by a section of government officers in the secretariat on March 2. Unable to get any firm commilment from the chief minister to punish the guilty officers, the opposition MLAs after a pandemonium, resorted to the only step that they could afford—a walk-out. In the Rajasthan assembly, when a woman MLA during the governor's address there on February 26, narrated how her father, Raja Man Singh, also a former MLA, was gunned down allegedly on the orders of chief minister Shiv Charan Mathur, she was assaulted by a Congress(I) woman minister. In the Orissa assembly on February 24, the death of a Janata party worker in police action provoked the opposition to create a din after the speaker had refused to allow a debate on the reported death. A free-for-all followed, with the Congress(I) legislators getting the better of the opposition.

What Lenin once described as a 'pig sty' was perhaps a far more gentle affair compared to our legislatures. Could our speakers discover a parliamentary term for what goes on in these halls in the name of proceedings?

### TEXTILE INDUSTRY

### **Grim Prospects**

THE annual report (1987-88) of the ministry of textiles considers inadequate modernisation and renovation of old and obsolete machinery to be one of the main reasons for the present difficulties being faced by the mill sector of the cotton textile industry. It-has been estimated that approximately 63 per cent of the spindles and 82 per cent of the looms installed in the industry are more than 15 years old. India is said to have the lowest percentage of automatic looms to total loomage (23 per cent in 1980) in the world. In spinning, although India has the highest capacity (26.1 million installed spindles as on March 31, 1987) in the world, the percentage of open end rotors in total spinning capacity is one of the lowest. Thus productivity of capital in both spinning and weaving is much below international levels. It is argued that modernisation is absolutely imperative to raise productivity and efficiency.

The ministry presumably has the export market in mind while contrasting domestic levels of efficiency and productivity with international levels. There is a growing realisation that domestic demand for cloth will remain relatively stagnant and hence the industry should turn to exports as exports alone will help to overcome the demand constraint. India's share of world export trade in textiles is a meagre 1.7 per cent. It is however expected that with the adoption of such modern machinery as automatic and airiet looms, the cost of production will decline enabling the industry to export more. The industry is presently utilising the quotas under the MFA to the maximum and so the thrust will have to be on the non-quota market where competition is severe and quality standards are demanding.

The report goes on to add that lack of modernisation has led to closure and unemployment presumably because mills with obsolete technology have become non-competitive. Modernisation, it is held, is absolutely essential for the longterm economic viability and survival of the textile industry. The report almost considers modernisation as a panacea for all the problems of the textile industry. This betrays a lack of appreciation of the demand constraint or an undue export optimism. The industry is saddled with a high incidence of sickness with about 150 units coming under the management of the government while more than 133 private mills remain closed. When a mill modernises by replacing obsolete looms with automatic and air jet looms, the former are not scrapped but are shifted to the desentralised powerloom sector.

Thus the total capacity in terms of looms installed in the country goes up. Right now there is severe underutilisation of capacity in both spinning and weaving. The industry has 26.1 million spindles while only 18 to 19 million are required to meet both the domestic as well as export demand. Similarly, capacity is far in excess of requirements in the weaving sector.

It must be realised that modernisation cannot but be selective. If all the 283 odd composite mills were to modernise there would be massive excess capacity in the industry. It is the profitable mills like Reliance, Mafatlal, Arvind and Madura Coats that have been the major claimants of the modernisation loans. The weak but viable mills, for whom 75 per cent of the Rs 750 crore textile modernisation fund has been set aside, have responded only to a limited extent. It may not be wrong to expect that selective modernisation will lead to an increase in the incidence of sickness.

The 1985 textile policy and the recent budgetary concessions given to synthetic fibres and yarns are intended to shift the pattern of demand in favour of synthetic textiles. This is also expected to accelerate the pace of modernisation. Given the highly skewed distribution of income the government and the industry hope to create additional demand from the middle class and the rich. However, any real breakthrough in demand can only come by increasing the purchasing power of the vast majority of poor people. Needless to say, there are institutional constraints on such a possibility actually materialising.

# PHARMACEUTICALS Farce of Price Control

THE drug industry's objections to the government's attempts to introduce some rationality in the drug market are beginning to sound increasingly trifling. The latest of these is the industry's contention that paracetamol has been wrongly classified as an 'anti-malarial'. The industry has, it is reported, gone to great trouble to quote from 'well-established' books such as Goodman and Gilman and Cecil's Textbook of Medicine to show that paracetamol is categorised as a simple analgesic antipyretic. Several well known producers have promptly ceased production of the drug rather than comply with the government's price control order of November 1987 on Category I drugs. The manufacturers have telegraphically informed the government of this decision.

If this is absurd, the government's response is even more puzzling. It has apparently directed the state drug con-

trollers, by telex to assure the industry that the government has referred the matter to the Kelkar committee five months back which would soon arrive at a decision. But in the meanwhile would the manufacturers please abide by the DPCO?

The entire matter of the implementation of the DPCO is rapidly deteriorating Into a farce as usual. The industry has been raising all kinds of objections since November—the first that unless the issue of trade margins was settled there would be no question of complying with the new price control order; and then that government was not playing fair in announcing only the price reductions without at the same time making the allowable increases in prices for some of the drugs now being allowed a higher margin by virtue of their recategorisation; and lastly the demand for the recategorisation of paracetamol by three companies. Needless to say, all the conditions have now been met-trade margins have been determined and agreed to and price increases of 172 recategorised drugs ranging from 12.9 per cent to 43 per cent have also been allowed. The paracetamol issue is, however, another matter.

Firstly, paracetamol, while it may not be strictly be an anti-malarial, is obviously a necessary drug for the management of fevers and so finds a legitimate place in the national health programme drugs. It is comical that the industry has to quote Goodman and Gilman to show that paracetamol was not classified in the texts as an anti-malarial.

Secondly, the Kelkar committee had decided to exclude paracetamol from price control on the grounds that there were 103 firms mostly in the small sector manufacturing the product and therefore the price would tend to stabilise. But if this is indeed so, why is it that only three manufacturers have objected to its classification under the price control category? It is worth noting that three of the better known and better selling paracetamol products are Crocin (Duphar-interfran), Metacin and the new entry, Ridake (Burroughs Wellcome). Who are the 100 other paracetamol manufacturers?

#### STEEL

### Sluggish Long-Term Demand

ALL past estimates of the long-term demand for steel have been wide of the mark, being gross overestimates. Though the estimating methodologies have been considerably refined and the data base widened, one is inclined to view recent estimates with a degree of skepticism. The NCAER has recently revised its estimates of demand for steel up to 2000 AD.

Demand for finished steel in the terminal years of the seventh, eighth and ninth plan periods, i.e., 1989-90, 1994-95 and 1999-2000, is estimated to be 15.16, 20.01 and 26.26 million tonnes respectively, based on an annual GNP growth late of 4.5 per cent. Between 1989-90 and 1999-2000 demand is expected to grow at an annual compound growth rate of 5.6 per cent.

During the period 1950-65 when infrastructure and a basic and capital goods industry were being built, the annual compound growth rate of apparent steel consumption was around 10 per cent The subsequent period, 1965-80, when industrial growth rates decelerated considerably, witnessed a drastic decline in the annual compound growth rate of apparent steel consumption to 3 per cent. The economic recovery in the eighties has again prompted economic forecasters to expect a rapid growth in the demand for steel. However, the import content of investment in industry and infrastructure has gone up, especially that of machinery and equipment. This constitutes an indirect import of steel which in turn dampens the domestic demand for steel Estimates of compound annual growth rates in the demand for steel of the order of 6 per cent in the nineties, given the expectation that the capital goods import policy will be further liberalised, even assuming that present growth rates of GDP will be sustained, is perhaps an overestimate.

The availability of steel from domestic sources in the terminal years of the seventh, eighth and ninth plans is estimated to be 13 89, 19.69 and 22 29 million tonnes respectively. This leaves gaps of 1.27, 0.32 and 3.97 million tonnes between demand and availability in 1989-90, 1994-95 and 1999-2000, respectively. SAIL is expected to expand its output from 7.387 million tonnes of finished steel in 1989-90 to 11 380 million tonnes in 1999-2000 with the completion of the modernisation and expansion programmes in all the five integrated steel plants under it, including TISCO. TISCO's production is expected to go up from 1 297 million tonnes of finished steel in 1989-90 to 2.147 million tonnes in 1999-2000. The Vizag steel plant will step up production from 0.797 million tonnes of finished steel In '1989-90 (with the commissioning of the first stage of the project) to 2.169 million to nnes in 1999-2000 with the commissioning of the second stage of the project. Finally, the secondary steel producers are expected to produce 5.192 million tonnes in 1989-90 and 7.884 million tonnes in 1999-2000.

The gap between demand and availability will presumably be filled through imports. Import of saleable pig iron and steel in 1984-85 was 1.64 million tonnes valued at Rs 677.6 crore. In 1985-86 these imports rose to 2.10 million tonnes valued at Rs 984 91 crore while in 1986-87 they were 2.06 million tonnes valued at Rs 898.7 crore. Most of these imports

could have been dispensed with had the requisite balancing investments and capital replacements been undertaken in the SAIL plants to improve operational performance. Actually, there are certain economic and political vested interests that stand to gain while the country continues to import around 2 million tonnes of iron and steel on a yearly basis.

### **BUSINESS**

# STOCK MARKET UTI's Strategy Works

THE stock market scene has undergone a profound change. The mood of utter despondency has given way to cautious optimism. Sustained institutional support and UTI's strategy of effecting purchases without fixing price limits has proved highly rewarding. Equity prices have scored widespread gains which have been quite spectacular in several scrips in the 'specified' as well as cash lists. The rise in prices has been accompanied by a significant increase in the volume of business and larger participation by the outside public.

Few had imagined that the sick and anaemic stock market could stage the kind of recovery it has. The Bombay stock exchange sensitive index for equities has risen by 16.6 per cent from its March 28 low of 390, reflecting to a considerable extent the spurt in the hitherto much depressed Reliance scrip which has heavy weightage in the index. The Financial Express equity price indices had registered new lows for the year on April 4. But by April 25, the Bombay index had moved up by about 6.8 per cent and the all-India index by 5.4 per cent, retracing 49 per cent and 39 per cent respectively of the ground lost in the fall from the year's highs recorded on January 13.

Far more significant than the upsurge in equity prices is the dramatic turn in market sentiment. Not only has disinvestment selling induced by panic psychosis come to an end but investors are now reemerging as buyers on a selective basis. Bears who had been dominating the scene since long are now on the defensive. They have apparently been unnerved by the prospect of having to pay backwardation charges for keeping their short sales alive. At the end of last settlement on April 21, 12 scrips attracted backwardation charges and the number of such scrips stood as high as 17 in the preceding settlement. Never before have so many scrips been known to have attracted backwardation charges at the turn of a settlement.

The emergence of backwardation charges in a large number of scrips and

the low carryforward charges —15 to 12 per cent on annualised basis— in others, clearly indicated a highly oversold position, restricted carryforward facility and stringent bear margins notwithstanding. Bears are now paying dearly for their aggressive designs. Unlike speculative purchases which have got to be squared up some time or the other, investment buying leads to diminution of floating stocks of the scrips concerned. One wonders whether the big speculators who have been indulging incheavy 'short' sales have realised that institutional investors are now a force to reckon with.

Unquestionably, the recent sharp upswing in equity prices is attributable largely to massive institutional buying, mainly by the UTI, and anxious bear covering induced by technical considerations. But trading sentiment has been aided in no small measure by encouraging corporate news by way of increased profits or higher dividends or bonus issue. The news background also has been helpful. The government has removed the 11 per cent ceiling on institutional holdings in public issues. The industry minister Vengal Rao told captains of industry the other day that the government "will soon announce" some more incentives to industries, particularly those going in for rural sites and that attempts were being made to further streamline the licensing procedures and reduce the delay. The government is also considering a package of incentives to lure NRI investments.

With a view to maximising industrial production from the existing installed capacity, the government has announced a scheme under which industrial licences/ registrations with technical authorities will automatically be re-endorsed with the maximum production achieved in any of the financial years between April 1988 and March 1990. Prime minister Rajiv Gandhi has observed that foreign equity participation is preferable to foreign loans and that alien investment norms are to be simplified to remove irritants in the way of such investment. Official pronouncements on the state of the economy continue to exude optimism. Only the other day (April 20), the RBI deputy governor C Rangarajan stated that the economy

would be buoyant in 1988-89. Apparently, a good monsoon is taken for granted. Institutional support on a continuing basis is an indication of the government's determination to impart vigour to the secondary market in order to enable mobilisation of requisite resources for the corporate sector, private as well as public. Hopes run high that while moving the Finance Bill in parliament, finance minister Tiwari will announce fresh concessions for accelerated growth of the corporate sector. Industry and the stock exchanges have put forward a number of suggestions for improving the investment climate.

Despite the sharp upsurge in equity prices from the March/April lows one cannot fault technical analysts if they argue that the overall behaviour of the market does not provide any convincing indication about the end of the two-year old bear market. But it would not be wishful to think that the current phase could well mark the beginning of a new bull market. It is significant to note that while four months have gone by the equity price indices for Bombay and all-India compiled by the Financial Express have not pierced their bear market lows recorded on December 10. The market has now turned distinctly firm. On April 25, the Bombay index stood 11.3 per cent above its December low and the all-India index was 7.2 per cent higher.

Encouraged by the improved trading sentiment, the governing board of the Bombay stock exchange has urged the finance ministry to implement at the earliest the second phase of the Dave Committee's recommendation increasing the carryover business limit for individual stockbroker from the present Rs 25 lakh to Rs 50 lakh. The overall environment having turned favourable, liberalisation of trading facilities can be expected to give a further boost to the market and strengthen bullish sentiment.

New Delhi has taken a series of measures to bring about a qualitative change in the functioning of the stock market. Its concern for the health of the secondary market stems mainly from the sad plight of the capital market which is required to mobilise huge resources for the corporate sector. The capital market is indeed in awfully bad shape. The total amount of capital raised through equity and preference shares and debentures issued to the public declined by 39.2 per cent in 1987-88—Rs 858.I crore against Rs 1411.6 crore in 1986-87. It is difficult to say how the new issue market will perform this year.

That the public response to new issues cannot be expected to be good if the secondary market is depressed may be readily conceded. But it is perhaps no less

true that the bitter experience of an overwhelmingly large number of Investors subscribing to new issue during the hectic 1985-86 boom has much to do with the crisis of confidence with its inevitable repercussions on the secondary as well as primary market.

The newly elected president of the Bombay stock exchange G B Desai very aptly pointed out the other day that taking advantage of the ignorance of the majority of investors, many unscrupulous operators floating 'fly-by-night' companies had duped investors. Shares acquired in these companies had been reduced to mere scraps of paper, being quoted at either heavy discounts or not being at all saleable. This, of course, is an oversimplistic assessment of the complex scenario.

One cannot lay the entire blame on the unscrupulous elements who are to be found in almost every economic and social endeavour. The slump in the new issues market raises many pertinent questions. How were the 'unscrupulous' persons allowed to float what has now come to be known as 'fly-by-night' companies? Were not their projects appraised and approved by merchant bankers and financial institutions? Did not financial institutions take adequate care in assessing the credibility of promoters and the viability of their projects while extending assistance by way of term loans? Did not underwriting support lent by merchant bankers and financial institutions impart credibility to these issues? Reputed merchant bankers and term lénding institutions are known to have described at press conferences convened for the launching of public issues almost every issue as a unique investment opportunity? Almost everyone connected with the promotion of new issues of questionable merit is to blame for the crisis of confidence arising from the heavy depreciation in the value of investments made in such issues.

The government has done well in setting up the Securities and Exchange Board of India under the chairmanship of S A Dave of IDBI who is respected for his knowledge and high integrity. The Board will naturally take quite some time to organise itself to be able to function effectively as an apex regulatory body to protect investors, member brokers and public limited companies. It would do well to initiate at the earliest an in-depth study of all the relevant aspects of the unprecedented boom in new issues in 1985-86 and the subsequent collapse. The study could prove to be quite revealing. In any case it would be extremely useful for a proper understanding of the malaise afflicting the capital market. Excessive reliance on the state of the secondary market will not do.

### TWENTY YEARS AGO

EPW, May 4, 1968

It would be surprising if the problem of finding a suitable venue is really holding up the start of the proposed preliminary talks on Vietnam... Behind the wrangle over a venue there are certain hard political compulsions which both Hanoi and Washington face. The long war has left behind political problems which must be sorted out before an approach to peace is made. The US has the problem of pacifying its 'allies'... A whole superstructure of alliances laboriously built up over the years, could, then, come tumbling down...

Hanoi has also been sorting out its own pre-negotiation problems. One obvious question it faces is the role that it would grant to its friends and allies in influencing the negotiations... While co-ordinating its tactics with Moscow's, it has excluded China from any role in the talks... Before going to the conference table, Hanoi has to make sure that it does not become a pawn in the Sino-Soviet conflict... But these are tasks which Hanoi can well afford to undertake after the preliminary talks begin. The urgency to procrastinate is, therefore, more Washington's than Hanoi's....

The demand that it should be split up into a number of independent corporations has dogged the Life Insurance Corporation almost ever since its formation. Now the finance minister has sold parliamens that the government is considering a move along these lines... What LIC needs most is not tampering with its organisation. In fact, any attempt to split up will disorganise its operations for at least five years just as the integration earlier had done. What the LIC needs is competent management management capable of organising day-today operations efficiently and with vision to chart a long-term course which the LIC has lacked so far. The corporation has just got over the problems it faced in its initial years and begun to settle down. It would be foolish to disturb it at this stage....

The Reserve Bank's study on ownership of shares of joint-stock companies... brings out some interesting trends in holding of corporate securities... The trends revealed by the study raise important issues which merit consideration for their policy implications. First, despite the restrictions imposed in the 1956 Companies Act, inter-corporate investment has become an important source of corporate finance. Second, the proportion of institutional holding, which is essentially of a sleeping partner type, has been increasing. Institutional investors are often satisfied when there is a return of, say, 10 per cent. So long as this return is obtained, financial institutions are not likely to exercise their voting rights, at least not against existing managements. To that extent shareholder control over management has become inoperative.

## **STATISTICS**

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	Index Numbers of Wholesale Price (1970-71 = 100)	8 Weight	Latest Week	Over Last Month	Over Last Vear	Over March 26, 1988	In 86-87 + +	In 85-86++	1n 84-85	In 83-84
	All Commedition	1000	(9-4-88)	Month	Year					83-84
	All Commodities Primary Articles	1000 417	417 9 391 2	07 02	10 1 11 7	-06	4 8 5 7	58 21	71 48	95 110
	Food Articles	298	378 2	10	10 2	-06 -07	72	79	64	13 5
	Non-food Articles	106	388 2	-2 i	190	-05	67	-103	-23	15 1
	Fuel, Power, Light and Lubricants	85	667 6	_	66	-	67	11 9	26	76
	Manulactured Products	499	<b>397</b> 8	13	97	66 Varia	47 ation (per	7 2 cent)	60	87
	Cost of Living Index		Latest	Over	Over	Over				
		Base	Month	Last Month	Last Year	March 1987	In 86 <b>8</b> 7	ln 85 <b>8</b> 6	1n 84 85	1n 83 84
	For Industrial Workers 19	960 100	749	0.5	92	92	87	65	64	12 6
	For Urban Non Manual Employees 198	84 85 100	128 <sup>2</sup>	•	94	94	73	79	81	103
		July 60 to 1 <b>c</b> 6l 100	655 <sup>2</sup>	-0 3	143	14 3	4.8	48	0 2	11 4
	Manage 201 1 11 4			<del></del>			per cent ii	n brackets)		
	Money and Banking	11 to	Latest	Over	Over	Over	1	1	1	1
		Unit	Week (8 4 1988)	Last Month	1 ast Year	March 25, 1988	In 86 87 <sup>++</sup>	85 86 ' '	In 84 85	In 83 84
	Money Supply (M <sub>3</sub> )	Rs crore	1,63,158	1,619	21,693	1,622	21,627	14,423	16,058	13,031
			• • • •	(10)	(15 3)	(10)	$(18\ 3)$	(13 9)	(187)	(17 9)
	Net Bank Credit to Government Sector	Rs crose	86,056	1 860	11,683	2 101	12,822	6,555	8,445	5,757 8 830
	Bank Credit to Commercial Sector Net Foreign Exch Assets of Banking Secto	Rs crose or Rs crose	1,04,338 5,532	1,267 489	11,283 1 039	944 154	10 576 1 251	10 963 13	10 809 1,419	8,830 104
	Deposit of Scheduled Commercial Banks	Rs crore	1 18 034	489 934	15 756	460		13,160	11,519	-104 8,550
		6,016	0 054	(08)	(15 4)	(0 4)	(19 6)	(18 2)	(190)	(16 4)
	Foreign Exchange Assets**	Rs crore	7 291	488	115	153	604	197 (0 8)	1,319 (24 0)	1,233 (28 9)
	Index Numbers of Industrial Production	Weights	Latert Month	Avera Mon			(8 6) Vari	(08) ation (per c	ent)	
	(1970 - 100)					1n	In	In	1n	ln
				1986	1985	1986 + +	1985 + +	1984	1983	1982
	General Index	100 00	222 010	217 5	204 4	61	6.4	66	42	4.5
	Basic Industries	33 23	288 710	272 6	250 9	77	87	108	5 5	80
ı	Capital Goods Industries	14 98	235 110	2310	224 1	24	3 1 4 7	66 61	53	09
•	Intermediate Goods Industries Consumer Goods Industries	21 33 30 46	187 1 <sup>10</sup> 174 4 <sup>10</sup>	187 7 173 1	179 2 161 9	60 53	47 69	61 26	6 <b>8</b> 06	19 58
	Durable Goods	30 46 3 81	303 1 <sup>10</sup>	2867	246 3	140	17 4	178	10	36
	Non Durable Goods	26 65	156 O <sup>10</sup>	156 9	150 1	34	45	02	0.5	65
	Foreign Trade	Unit	Latest Month	Cumulat						
			(Jan 88)	1987-88	1 <b>9</b> 86 87	1986 87	1985 86	1984 85	1983 84	1982 83
	Exports	Rs crore	1,368	12,603	10,109	12,550 (14 0)	11,012 ( 7 1)	11,855 (20 0)	9,872 (10 8)	8,908 (14 2)
	Imports	Rs crore	1,753	18,029	16,401	20 063 (1 5)	19,766 (15 1)	17,173 (8 9)	15,763 (9 8)	14,356 (5 0)
	Balance of Itade	Rs crore	- 385	- 5,426	-6,292	7,513	- 8,754	-3,318	- 5,891	-5,448
	Employment Exchange Statistics	Unit	Latest Month	Cumula				4-7:		***
			(July 87)	1987	1986	1 <b>9</b> 86	1985	1984	1983	1982
	Number of Applicants on Live Registers (as at end of period)	Tuousand	27,259	27,259	28,442	30,131 (10 9)	26,270 (6 0)	24,861 (7 9)	23,034 (16 6)	19,753 (10 7)
	Number of Registrations	Thousand	335	3,091	3 170	5,473 (-60)	5,824 (-64)	6,220 (-8 0)	6,756 (15 3)	3,862 (-66)
	Number of Vacancies Notified	Thousand	56	373	354	616 ( 100)	683 (-34)	707 (-15 5)	827 (0 9)	820 (-84)
	Number of Placements	Thousand	35	215	216	356 (-82)	388 (-47)	407 (-163)	486 (2 5)	(-61)
	Income	Unit	1986-87**	1985-86**	1984 85 <b>°</b>				1980-81	1979-80
	Gross Domestic Product (current prices) Gross Domestic Product (1980-81 prices) Per Capita Income (1980-81 prices)	Rs crore Rs crore Rupees	2,60,584 1,62,326 2,975	2,33,305 1,56,083 2,721	1,90,888 61,838 775	1,72,704 59,541 764	1,45,961 55,068	1,30,770 53,470 720	1,22,226 1,22,226 1,627	95,358 47,191 664
<u> </u>										4

<sup>\*</sup> For current year upto latest month for which data are available and for corresponding period of last year

\*\* Excluding gold and SDRs

+ Upto latest month for which data are available

+ Provisional data

@ Relate to 1970-71 prices

Notes. (1) Superscript numeral denotes month to which figure relates, e.g., superscript indicates that the figure is for January and so on.
(2) Figures in brackets denote percentage variation over previous period

## CENTURY TEXTILES AND INDUSTRIES

### Low Profit in Cement

CENTURY TEXTILES AND INDUS-TRIES has fared well during 1987 with sales, profits and margins considerably higher than the respective levels reached in the previous year. The directors have stepped up dividend by 4 points to 24 per cent Sales have amounted to Rs 355 71 crore against Rs 283 54 crore and gross profit has expanded from Rs 31 22 crore to Rs 52 36 crore With depreciation requiring a substantially higher provision and tax liability claiming Rs 3 crore against nil previously, net profit has tui il ed out to be a shade lower at Rs 15 95 crore (Rs 15 96 crore) Even so, the enhanced dividend distribution is covered 2.5 times by earnings as against 3 times

The textile division performed satisfactorily in spite of various adverse factors. Cloth and yarn of the value of Rs 69 crore were exported against exports of about

Rs 47 crore in 1986 Both rayon and tyre cord division produced more in line with the increased demand Rayon yarn, tyre yarn and liquid chlorine worth about Rs 9 29 crore were exported to European countries The shipping division acquired two second hand timber carriers and one second-hand edible oil carrier built in Japan The company now owns a diversi fied fleet of five vessels, which are operat ing satisfactorily Recently, government permission has been received for acquisition of a second hand bulk carrier of 34,509 DWT built in 1982. The profitable lity of cement divisions declined con siderably due to uneconomic prices of non levy cement as a result of supplies oulstripping demand Both Century and Maihar divisions produced more despite unsatisfactory power situation and poor quality of coal The Manikgarh division received permission of the government for mining of limestone only in November 1986 and production of cement commenc ed from January 1987 But the company faced strike from April 29, 1987 which is still continuing Production of cement during the year was 3,12,790 tonnes Some of the old workers have recently started rejoining duty and if this trend continues production is expected to stabilise at a fairly high level

The pulp and paper division is working at optimum capacity. It produced 23,460 tonnes of writing and printing paper and 21,306 tonnes of rayon grade pulp as against 20,356 tonnes and 12,314 tonnes, respectively, in the previous year The company has placed orders for three DG sets with a total capacity of 3.3 MW. It has also planned to revamp and moder nise the plant which would enable it to in crease the capacity and manufacture other varieties of paper. The Rajasthan govern ment has in principle accepted the company's proposal to establish a thermal power station with a capacity of 400-500 MW and to operate the same as base load station Formal sanction by way of grant of draft licence for power supply to the Rajasthan State Electricity Board has been received. A letter of intent for set ring up a 3 lakh tonnes per annum capacity sponge iron unit at Chandrapur in Maharashtra has been granted by the government of India The company has yet to receive necessary permissions from Maharashtra The company has been advised by the government of India that its proposal for upward integration to make steel strips is not as per the piesent guidelines

The Week's Companies

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(Rs Lakh)

	Century	Textiles	Blue I	Blends	Mangalam Cement		
	Lalest Year	Last Year	Latest Year	Last Year	Latest Year	Lass Year	
	3t 12 87	31 12 86	30 9 87	30 9 86	31 12 87	31 12 86	
Paid up Capital	2662	2662	265	111	731	731	
Reserves	20309	19945	449	198	1099	1038	
Borrowings	18898	15181	1187	487	675	662	
of which lerm Borrowings	12981	7395	882	279	406	581	
Gross fixed assets	50013	44487	755	503	2982	<b>29</b> 32	
Net fixed assets	32815	11058	635	525	1738	1905	
Invesiments	1476	373			85		
Current habilities	7952	8012	653	947	398	353	
Current assets	15469	12308	t894	1193	1080	1078	
Stocks	7226	6339	330	264	483	326	
Book debts	3289	2311	1302	617	235	144	
Net sales	35571	28354	4438	2705	2320	2637	
Other income	2265	2472	44	18	46	58	
Raw material costs	7412	6207	2782	1684	302	260	
Wages	5919	5468	42	23	138	122	
Interest	2237	1885	187	71	70	94	
Gross profit (+)/loss ( )	5236	3122	267	t61	389	429	
Depreciation provision	3341	1526	63	36	189	185	
Tax Provision	300		32	13	30	38	
Net profit (+)/loss(-)	1595	1596	172	112	170	206	
Investment allowance reserve			35	26		9	
Transfer to reserves	956	1064	88	65	61	88	
Dividend	2.0			•	-		
Amount P		_			2	2	
E		532	49	21	107	107	
Rate (per cent) P			-		11	11	
E		20	28	25	15	15	
Cover (times)	2 50	3 00	3 51	5 33	1 57	1 90	
Ratios (per cent)	230	2 00	3 3 .				
Gross profit/sales	14 72	11 01	5 10	5 95	16 76	16 27	
Net profit/capital employed	10 41	11 09	24 09	36 24	9 29	11 64	
Inventories/sales	20 31	22 35	7 43	9 76	20 82	12 36	
Wages/sales	16 64	19 28	0 94	0 85	5 94	4 62	

#### BLUF BLENDS

### Fares Well

BLUE BLENDS AND TEXTURISING MANUTACTURING COMPANY has maintained its growth trend during 1986 87 The turnover shot up by 64 per cent from previous year's Rs 27 05 crore 10 Rs 44 38 crore and gross profit by 66 per cent from Rs 161 crore to Rs 267 crore Although provisions for both depreciation and taxation have taken away more than in the previous year, net profit is Rs 172 crore (Rs 112 crore) Total dividend has been stepped up by three points to 28 per cent and is covered 3 51 times by earnings as against 5 33 times previously The directors have also recommended issue of bonus shares on a three for five basis by capitalising Rs 116 crore from general reserve and share premium ac count During the year, expansion of the texturising and twisting facilities at Silvassa were completed The weaving unit at Palghar has commenced commercial production in February last the products of this unit have been well received in the market The directors have decided to set up two more units, one at Daman for manufacture of texturised and twisted yarn and the other at Mangrol near Surat for manufacture of texturised, twisted and dyed yarn. The total cost of both these projects is estimated at Rs 15 crore. To meet the cost of these projects and to augment the long term resources of the company, the directors propose to issue rights' shares in the ratio of 1.1

# MANGALAM CEMENT Power Paucity

MANGALAM CEMENT has suffered a setback in its working during 1987 with decline in gross profit from previous year's Rs 4 29 crore to Rs 3 89 crore tollowing diop in sales from Rs 26.37 ciore to Rs 23 20 crore Net profit is also lower at Rs 170 crore against Rs 206 croic and the unchanged dividend of 15 per cent is covered 1.57 times by carnings as against 190 times previously Production of ce ment was lower at 3 31 163 tonnes against 3,54,386 tonnes due to continued crisis in power availability with the average power cut of 38 63 per cent in the year. The conpany had also to experience shortfall in the supply of railway wagons. As against entitlement of 40 wagons a day it could receive only 29 wagons a day on an average The coal supply was madequate and irregular. The directors say that it has become imperative to increase own cap tive power generation capacity. The company's application for import of one more DG set of 54 MW capacity has been cleared by the government for issue of licence. The company has filed an appeal in the Supreme Court against the decision of the Rajasthan High Court in the mat ter of imposition of land tax on excavation and mining of limestone. An appeal has also been filed with the collector (ap peals) central excise claiming the excise benefit as has been granted to the new units vide the notification of April 30, 1987 If the company succeeds, it will get a benefit of Rs 20 per tonne in excise duty and its levy quota may be reduced from 30 per cent to 20 per cent

#### HYDERABAD INDUSTRIES

# Satisfactory Performance despite Lock-Out

HYDERABAD INDUSTRIES have earned a profit after providing for depreciation and tax of Rs 3 90 crore in 1987 as against Rs 4 44 crore in 1986. The directors have recommended payment of dividend on 28,33,560 equity shares of Rs 10 each at the rate of Rs 2 50 per share for the year ended December 31, 1987 aggregating to Rs 70 84 lakh

During the year under review, production of asbestos cement products was 2,48,055 tonnes as against 2,54,588 tonnes in the previous year. The company's Ballabgarh unit was under lock-out from October 14, 1987 to March 21, 1988. This also affected the production of mill board, moulded thermal insulation articles and beater addition jointing. The production of thermal insulation products (refractories) has been satisfactory and this product has been well received in the market.

The foreign collaboration arrangement for manufacture of power driven pumps of all types has been approved by the government Letters of intent for the manufacture of (a) libre reinforced calcium silicate boards, (b) captive jig washeries, (c) extraction handling and sampling equipment and systems for ore and minerals including coal, have been received

India Gypsum, promoted by the company as a joint venture company in Haryana, commenced production in October, 1987 Nigerian Asbestos Industries Limited, Nigeria, a joint venture company in Nigeria is working satisfactorily and during the year under review, the Indian parent firm received dividend and fees for management services

### STATE BANK

### **Record Profits**

STATE BANK OF INDIA has earned a profit of Rs 45 51 crore which is the highest profit earned by any Indian bank in 1987 Deposits of the bank have reach ed the level of Rs 25,564 crore At Rs 16,268 crore, the growth in the bank's advances at 13 8 per cent was higher than that recorded by all scheduled commer cial banks in 1987 The total advances to the agricultural sector rose to Rs 3,113 crore spread over 57 1 lakh accounts in 1987

Reviewing the bank's operations during 1987, D N Ghosh, chairman, stated that although the green revolution has improved productivity and income of farmers, considerable imbalances—crop-wise as well as region-wise—have arisen Agricultural development has been largely confined to the irrigated areas which account for only one-third of the cropped area. The strategy of agricultural financing adopted by the bank therefore seeks to correct these imbalances.

During 1987 several parts of the country were affected by severe drought and floods causing extensive damage to crops. Till the end of 1987, the bank provided financial and relief assistance to the affected persons to the tune of Rs 116 crore covering more than 3.4 lakh beneficiaries. Wherever necessary, rescheduling of loans was also undertaken.

The loans and advances of the bank to the industrial sector, including the small scale industry, registered a substantial growth during 1987 Compared to the level of 1986 these advances went up by Rs 1,979 crore Assistance to small scale industries, cottage and village industries reached a new high during the year with 7 7 lakh borrowers being assisted to the tune of Rs 2,898 crore.

SBI Capital Markets Limited (SBICAP) maintained its lead as the prime merchant bank in the country Since inception SBICAP has managed 65 issues raising an aggregate of Rs 1,243 crore SBICAP has also played an active role in credit syndication, by handling 25 assignments involving Rs 306 crore. Another significant development was the formation of SBI Mutual Fund The first scheme of the fund, the Magnum Regular Income Scheme 1987, was quite successful Collections were to the tune of Rs 1447 crore as against the target of Rs 100 crore SBICAP has launched a Housing Promotion and Finance Corporation (HPFC) in collaboration with Housing Development Finance Corporation (HDFC)

The total export credit provided by the bank rose to Rs 762 crore at the end of 1987 from Rs 679 crore at the end of 1986. The bank has 40 overseas offices operating in 27 countries. During 1987 these overseas offices increased their total resources by Rs 3,028 crore to Rs 8,963 crore. This large growth in resources/deployment was primarily due to increased borrowings from the offshore market for higher advances to Indian based companies.

At the end of 1987 the aggregate deposits of the State Bank group stood at Rs 33,062 crore and advances touched the level of Rs 21,223 crore. Thus the group accounted for about 28 per cent of the deposits and 31 per cent of the advances of all the scheduled commercial banks in India in 1987.

### **GRUNDIG**

### Breakthrough in TV Technology

GRUNDIG of West Germany has recently achieved a major step forward in TV technology with the development of the Colour Transient Improvement Circuit, widely known as CTI CTI is a genuine breakthrough in terms of high colour resolution and extremely sharp picture quality This is because there is no cross colour mixing at colour edges which is a definite advantage while viewing live transmission as well as when using the VCR CTI technology is incorporated in the new CTI-7 system of the ColorMan brand of colour TVs being marketed by Instavision Systems.

## Hrinum Kritwa, Ghritam Pivet

Arun Ghosh

There is a real danger that in a few years the Indian economy would get deadlocked with large investment needs but without the requisite domestic savings and the prospects of external savings also drying up. A point of no return would then be reached when domestic borrowings would fall to provide any net resources to government and the only recourse would be open-ended deficit financing with consequent hyper-inflation.

THE prime minister is reported to have asked the planners to prepare, in connection with the formulation of the Eighth Five-Year Plan, a series of seven policy papers on different aspects of the economy. These are all vital areas of concern, and do need in-depth examination; and it is good that the large army of technical (and the larger army of non-technical) personnel in the planning commission is to be kept busy for the next two years, reviewing the changing needs of the economy in the light of recent developments. The presumption, of course, is that these studies would be used for the formulation of priorities for action by the government, though one finds that there is in practice a wide gulf between policy recommendations of bodies like the planning commission and the action taken by the government. This has unfortunately always been so; it is merely more markedly in evidence today. But even if the government were to heed these recommendations, how much leeway does the government have today, to take up any bold new scheme?

Nonetheless, such studies are perhaps still likely to be useful as they may stimulate a debate in the country on the emerging issues, and the long-term action programme required in the light of these issues. After all, we live on hope.

But there is no reference, among the seven areas of study to be undertaken by the planning commission, to the problem of resources for development. Perhaps understandably so because, other than repeat some well worn cliches, no official body would today dare to make an honest and forthright evaluation of the course charted out by our leaders over the past few years. That course, briefly, is that we live it up today with no heed for the future. After me the deluge. Let us celebrate forty years of independence because we may not be here to celebrate the golden jubilee after another ten years. And even thinking men have been lulled into a soporific state by the infusion of massive external aid, especially in the past couple of years, which has only helped to push back the day of reckoning by a few years. Like the hero of Omar Khayyam's Rubaiyat, "let us take the cash in hand (today), and waive the rest", for tomorrow we may not live. It is neat philosophy, except that it is not exactly fair to our children.

But the truth is that the day of reckoning is not really far off, indeed the Eighth Plan—for which the planning commission is to engage itself in flights of fancy—is likely to feel the full brunt of our improvident financial management during the past few years, smack in the third year of the plan.

A study by A Seshan of the Reserve Bank of India, and published in Occasional Papers of the Reserve Bank in June 1987 (volume 8, no 1) on 'The Burden of Domestic Public Debt in India' was admittedly given some coverage by the media when the study first appeared. But, time is a great saviour of the Establishment; past studies get covered by a thick layer of dust and no one need heed them. The central budget for 1988-89 does not give any awareness either of the study or its grim conclusions. To quote from Seshan, "Calculations based on the current trends reveal that a point of no return may be reached by 1992-93 when net market borrowings may not be sufficient to pay even interest on market borrowings".

When Seshan came to the above grim conclusion, he did not know of the enormous increase in both the aggregate borrowingmuch of it of medium or short maturityby government, as per the 1988-89 budget, or the increase in the rate of interest on short-term loans, in particular, Treasury Bills. And were he to take note of the latest trends, be may find that the "point of no return" as he calls it-when interest payments exceed net borrowings-may be reached even earlier than currently estimated, namely, 1992-93. In any case, that year happens to be only the third year of the Eighth Plan. Even if we assume, for the sake of argument, that it may be possible for the centre to significantly step up the rate of borrowing-and thereby continue to have some net inflow of funds after amortisation of the principal and payment of interest on past loans—we may be able to only stave off the 'day of reckoning' by say a year or two. Meanwhile, in the process, we would only be pandering to the rentier class, and playing havoc with the distribution of income, particularly because of the increasing recourse of deficit finance.

There are several other important conclusions reached by Seshan, two of which vital-

ly concern us here. To quote from Seshan, "...although funds are spent from a common kitty one may say that to a significant extent, the amount borrowed goes towards non-development expenditure .. Thirdly, government securities have a captive market in that more than 99 per cent of their value is held by government or quasi-government institutions. Hence, the assumption that large-scale mobilisation of household sector savings into government securities is possible does not appear realistic..."

The above two points raise issues of vital significance for the economy over the coming years. First, government borrowing is no longer required only for the plan programme of development-in fact, borrowing was supposed in earlier years to be undertaken to meet only part of the investment needs under the plan. Unfortunately, substantial government borrowing is today necessary to meet even current expenditures of government. Secondly, the important issue is, does government borrowing have the effect of impounding part of household savings, or does it willy nilly imply an increase in deficit finance (and a corresponding increase in monetary circulation)?

Of late, the large revenue deficit of the central government—larger today, in fact, than the overt deficit finance incurred—implies government recourse to borrowing to meet current consumption expenditure. The revenue deficit of the central government alone—leaving out the state governments—was as much as Rs 5,565 crore in 1985-86, Rs 6,742 crore in 1986-87, Rs 8,496 crore in 1987-88 (revised estimates) and is planned at Rs 9,842 crore for 1988-89. The revenue deficit of the central government has reached 3.5 per cent of the GDP.

Indeed, this is a new trend since the eighties. Up until 1978-79, the central government had a surplus on revenue account, although that surplus has been slowly coming down. However, despite 'additional resource mobilisation' (ARM) by the central government exceeding the stipulated ARM in successive five-year plans, we have ended up having increasingly larger deficits on revenue account year after year.

All this has been commented on, and the consequences brought out, by numerous economic commentators. Surprisingly, the implications have been lost on the planning commission and the government. For, if by 1992-93, interest payments on past loans exceed net borrowing by the government, not only would there be no further accretion to resources for developmental outlay by market borrowing, there would emerge the need to print more and more notes except to the extent we can cover our deficit by net external borrowing. And since the current expenditure commitments, of government exceed revenues, this is a prelude to hyperinflation, especially considering the large investment requirements of projects which are already under implementation, and are

half complete. Of what significance then would the diverse planning commission studies be, on vital issues affecting the economy, for which new outlays would be required?

Perhaps we are already on the threshold of such a situation if, in fact, it is true that government borrowing has not been able to extract any savings out of the household sector, as Seshan has stated on the basis of a Reserve Bank study on the 'Ownership of Government (Rupet) Debt'. According to Seshan "At the end of March 1982 individuals owned 0.2 per cent of the outstanding central and state government securities" (Seshan, op cit, quoting RBI Bulletin of January 1984). True, the government has diverse policy instruments (such as the Statutory Liquidity Ratio of commercial banks, which has recently been raised to 38 per cent) which can force commercial banks to involuntarily increase their lending to the central government. But that is covert deficit financing. Also, if, as indicated by Seshan, the interest payment on past market borrowing is already likely to exceed net market borrowings by 1992-93, the implications would be, first, that from the early nineties, there would be no net accretion of funds to the government from market borrowings, and secondly, that all government loan transactions would become essentially an elaborate and complex mechanism of transfers between government administration and diverse government (and quasigovernment) agencies, with zero net effect on over-all government finances, in the national accounting sense. The overt deficit finance would then be heavily understated.

Incidentally, in the above background, the recommendations of the committee to Review the Working of the Monetary System (Chakravarty Committee), which suggested the raising of the rate of interest on short-term Treasury Bills so as to make such bills an actively traded instrument in the market, can have only two implications. First, the raising of the interest rate on Treasury Bills is likely to only hasten—or at least ensure—the appearance of the 'day of reckoning', put at 1992-93 by Seshan. Secondly, in view of the grim resources position, the 'market-ability' of Treasury Bills and their emergence as a financial instrument become a very

remote possibility. With the steady raising of the SLR (and other means of compulsory lending by commercial banks to the government), banks may be hard put to meet even the most urgent credit needs of their clients; they are unlikely to have surplus funds for short period investments, especially with the blurring of the distinction between the busy season and the slack season. The use of monetary instruments is a function not only of their supply but also of the demand for such instruments. If the public takes to Treasury Bills, it would be only at the expense of bank deposits.

The fact that savings in India have been on the decline since the late seventies has been brought out clearly by the National Accounts Statistics published by the Central Statistical Organisation (CSO). Whether one relies on the 'old series' (which ends with 1985-86) or the 'new series' recently brought out by the CSO, overail domestic savings in India are seen to have declined steadily (see the Table)

Juxtaposing the new series on the old, and comparing the recent figures with those for 1978-79, we may say that overall savings declined by something like 3 to 4 per cent of the GDP between 1978-79 and 1986-87. It is curious that the decline in central government saving-or rather, the increase in net dissaving by the centre over these years—is of the order of 3.5 per cent of the GDP. While private savings have remained more or less unchanged, such savings have not shown any further increase, despite the significant increase, by some 5 per cent per annum, in the real rate of GDP growth after 1980. The steady increase in the deficit on revenue account of the central government has of late encouraged many state governments to likewise leave a deficit on revenue account uncovered either by taxation or by cuts in expenditure.

This is not an essay on the budget, nor on what can or needs to be done. It is merely a reminder to all serious students of the Indian economy (a) that the fiscal irresponsibility of the central government has of late been a major factor in encouraging similar fiscal irresponsibility in many states, thereby leading to a steady erosion of the savings rate in the Indian economy, which has arisen primarily from the increasing deficit on cur-

rent account (of the central government); (b) that the increasing recourse to government borrowing to meet the resources crunch is a short-term palliative and that the 'day of reckoning' is fast approaching when borrowings would no longer be able to provide any additional resources; (c) that government borrowing in any case has not of late been mobilising household savings, and has primarily been a covert form of borrowing from commercial banks (or, in other words, deficit financing); and, finally, (d) that against this background, the planning exercise is at best an exercise in futility and at worst an elaborate hoax on an unsuspecting public.

As I started by saying, the planning commission studies are still likely to be useful, for a better understanding of what needs to be done to steer future policy, into more desirable directions. For this to happen, one hopes these studies would be published. Also, perhaps there is really no need to get the planning commission to engage itself in a study pertaining to resource raising at this juncture. The Indian economy has been expanding, but the dragnet of direct taxes has not been expanding, it has been contracting. Tax revenues, particularly revenues from direct taxes, have been stagnant, certainly more so after the departure of V P Singh. The experts in the finance ministry do not have to be told as to what needs to be done to correct this situation; what is required is political will. The present government appears to lack the requisite political also will. The present government also appears to have lost control over public expenditure; and that is bound to happen when the whims and fancies of one man, or of a few men. can effectively stultify approved plan outlays in favour of newly dreamt up extravaganzas which attract publicity. The foregoing paragraphs point to the distinct possibility of the central government going bankrupt in a few years time. Unfortunately, while this danger is realised by many thinking people, those in authority-including those in opposition in the parliament—turn a Nelson's eye to the problem. Meanwhile, both industry and trade, and with them an expanding middle class crust of society, is so taken in with the philosophy of 'consumerism' that some planners and even some academicians are now seeing the thrust for consumer goods

There is real danger that in a few years, the Indian economy would get deadlocked with large investment needs without the requisite domestic savings, and with the possibility of external savings also drying up; a point of no return when domestic borrowings would fail to provide any net resources to government, and the only recourse—in the absence of increased tax revenues—would be open ended deficit financing with consequent hyperinflation. But is anybody in power genuinely concerned? Or would the latest \$ 3 bn ioan by the World Bank to India, following. N D Tiwari's visit to Washington, recently, luli us all to happy slumber?

production as the motive force for increasing

industrial investment and production.

TABLE SAVINGS AS PERCENTAGE OF DOMESTIC PRODUCT (at current prices)

Year	of the	as Percentage GDP	Net Savings as Percentage of the NDP		
(1)	Old Series (2)	New Series (3)	Old Series (4)	New Series (5)	
1978-79	24.7	NA	20.0	NA	
1979-80	23 0	NA	17.8	NA	
1980-81	23 0	21 2	17.8	13.5	
1981-82	22.7	21.1	17.2	13.3	
1982-83	22.6	19.5	16.9	11.1	
1983-84	22.2	19.8	16.4	11.5	
1984-85	22.9	19.5	16.9	10.9	
1985-86	22.8	22.0	16.7	13.3	
1986-87 (quick estimates)	NA	21.7	NA	12.7	

Sources: National Accounts Statistics, January 1987; New Series on National Accounts Statistics, February 1988.

### India-China Border: A New Possibility

GPD

The Chinese foreign minister has said that his country would prefer 'an agreement on principles' which would provide a basis for a settlement of the Sino-Indian border dispute. This is indeed a constructive proposal which is worth exploring.

LAST week we opened our comments on the so-called 'historic' accord on Afghanistan with a reference to the remarks of Wu Xueqian, foreign minister of China. Wu's interview, however, did not limit itself either to the developments in Afghanistan or to what the Soviets might or might not do there or anywhere else. He spoke also on the ways and means of solving the border dispute between India and China. At least at the level of formulations, Wu Xueqian appeared to be using a language all his own. In other words, there is a slight shift of emphasis which opens a new possibility. His remarks do not simply reiterate a desire that the border talks between India and China should take place. That he undoubtedly reiterates, but he also indicates a new opening in an otherwise deadlocked situation.

There have been two schools in Indian thinking on China which, of course, would see no new initiatives in what Wu Xueqian has said. One school has consisted of those who maintain that they have nothing against talking to China but, they usually add, the Chinese are not going to make any concessions. Indeed, why should they, has been the argument of this group of people. 'Talk if you must but do not make any concessions' is the message of these people. The other group would not stop at that. These people would warn you how China is your enemy. The objective realities would not matter as much as their subjective feeling that a country like India needs an enemy large enough. China could be one. Nay, it is one. What follows is not intended for the consumption of either of these groups. They are bound to dismiss all that follows.

To return to Wu's remarks, he has indicated in no uncertain terms that both sides have to make concessions. He has also said in reference to the famous Deng Xiaoping package that he sees the futility of the 'package' approach to the border problem. He does not necessarily disown that package but has seen that the package move has not taken Sino-Indian talks any further. He is willing to consider the Sino-Indian dilemma in other terms if necessary. There is also a further possible meaning to his remarks. At any rate we

should try to ascertain it. From the Chinese perspective the Deng package was a compromise of a kind. They would be willing to consider any other compromise proposals. This point will have to be carefully made to the Chinese. But on the face of it they appear to be prepared to consider new proposals.

Wu Xueqian has also introduced a new note in his remarks. China would prefer "an agreement on the principles that could provide a basis for settlement". This is indeed a constructive proposal. So far both sides have argued on the basis of some abstract 'historical' principles. The Chinese would not accept the MacMahon line because the 'imperialists' have created it. We have, of course, never conceded that there is, in fact, a border dispute with China. Our official stance has been that China has occupied 'Indian' territory. Consequently the common Indian notion of a compromise by China has been willingness on its part to 'admit' that it is in illegal possession of Indian territories and being prepared to withdraw from those territories. It has to be recognised that this understanding of reasonableness is in fact the most unreasonable element in the situation Wu Xueqian is right. Both sides have to make concessions.

The 'agreement on principles' idea opens up a new possibility in the situation. Its immediate provocation has been the manner in which the Soviet Union and China sorted out the problem of the riverine border. In 1969, one should recall, there were military clashes on the Chen Bao (the Chinese name) or the Damansky (the Soviet name) island in the Ussuri. The problem of the riverine frontier between the Soviet Union and China came into the limelight at that time. Eventually it was solved because China and the Soviet Union reached an agreement on the principle that the main channel of water should be the basis of a border settlement where rivers are involved. Agreement on the principle was reached first. A border settlement was not that difficult to achieve.

Is it impossible to reach a general agreement on the nature of a mountainous border on the basis of some geographic principles? Even the Chinese are going to discover that the lines that they have been proposing have not been always and everywhere geographically sound. We have been proclaiming the principle of 'watershed' as a determinant of the frontier for the last three decades. But rarely have we paused to consider where the watershed actually lies in the western sector. In short the first general principle that we have to propose (and why not take an initiative in this matter?) is that the border settlement should follow a well-organised geographic feature. Watershed could easily be one such feature. The second principle that we could propose is that the criteria for uninhabited territories and inhabited territories should be different. More than anything else the question of Arunachal Pradesh is not simply a question of an imperialist MacMahon line. There have been people living there and they have been ruled from Delhi. In short, Delhi's writ does run upto there. Any frontier settlement cannot and should not involve playing with people.

And so on. The two points made above are essentially to indicate what we could propose in terms of general principles. The point about the well-recognised geographic feature has been made more than once in these very columns. We have reiterated it because it appears that Wu Xueqian might be willing to consider these points to begin with as general principles.

Then there is the question of Rajiv Gandhi's visit to Beijing. Wu Xueqian showed 'positive interest' in his visit to China. Our youthful prime minister is very fond of foreign visits. It is, however, extremely problematic if he would or should visit China just yet. His visit would be more logical if there were at least an agreement on general principles. He could not go there to start off the process. He can go there if the process has already begun and has made some headway. His trip to China inight otherwise be premature and even futile.

Thirdly, one should perhaps make a point about the Wu interview which may sound like a textual criticism. In reply to the question whether by concessions he meant concessions to be made by both sides, Wu gave a curious answer. He said, "yes, concessions". Logically the answer should have been, "yes, by both sides". In short he has introduced an element of ambivalence in his position; an ambivalence which in the last analysis is not very helpful to a border settlement between India and China. The Beijing leadership will have to be more forthcoming than that if it wants some movement on the border question. Ambivalence is a game both sides can play Besides, it is not a particularly useful game either.



# **GUJARAT AROMATICS LIMITED**

### NOTICE

It is hereby notified for the information of the public that Gujarat Aromatics Limited Registered Office H K. House 6th Floor Ashram Road Ahmedabad 380 009 proposes to make an application to the Central Government in the Department of Company Affairs. New Delhi under sub section (2) of Section 22 of Monopolies & Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking unit/division. Brief particulars of the proposal are as under

1 Name and address of the applicant

Guiarat Aromatics Limited

H K House 6th Floor Ashram Road

Ahmedabad 380 009

2 Capital Structure of the applicant organisation

Authorised Issued

Subscribed

Paid Up

Rs 400 Crores

3 Management Structure of the applicant organisation indi cating the names of Directors including the Managing/Whole time Directors and Manager fany

Name

Shri R J Currawalla Shri Shrenik K. Lalbhai Shri Siddharth K Lalbhai Dr. Anand Sarabhai Shri L G Thakkar Shri P P Vora

Shri G R Virdi Shri S R S Ayyar

Indicate whether the proposal relates to the establishment of a new undertaking/unit/division/New Unit

5 Location of the new undertaking/unit/division

6 Capital structure of the proposed undertaking

7 In case the proposal relates to the production storage supply distribution marketing of any goods/articles indicate

(i) Name of Goods/Articles (II) Proposed Licensed Capacity

(iii) Estimated annual turnover

B In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures

as value income turnover etc

9 Cost of Project **Building** 

Machinery

Margin Money for working capital

Total working capital

10 Scheme of the Finance indicating the amount

Rs 368 Crores

Rs 368 Crores

Rs 368 Crores

Status

D rector Director

Director

Director Director Director

Director Director

New Unit

Tehsil Ankleshwar Dist Bharuch Gujarat

The capital structure of the proposed undertaking will be the same as the Gujarat Aromatics Limited

Mercurochrome/Merbromine

50 TPA

Rs 150 Crores

Not applicable

Rs 10 00 tacs Rs 15 00 Lacs

Rs 500 Lacs

Rs 15 00 Lacs

The proposed investment would be financed through term loans from financial institutions/Bank and partly through

internal cash accruals

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India Shastri Bhavan Dr. Rajendra Prasad Road. New Delhi within 14 days from the date of publication of this notice indicating his views on the proposal and indicating the nature of his interest therein

Place Atul

Date 22nd March 1988

Sd/-A K Mukhopadhyay Chief Executive

### Peasants and Markets

DN

Organisations of large-scale industry do not usually come out in favour of higher prices for agricultural commodities, nor do they rue the ruin of small, rural producers. Why then is the PHDCCI concerned about the ruin of small agriculturists?

THE Punjab-Haryana-Delhi Chamber of Commerce and Industry (PHDCCI), in a study on 'Rural Incomes and Rural Poor' (March 1988) has entered a plea for increasing the value realisation in agriculture by simultaneously raising the prices of agricultural commodities and lowering the prices of the inputs into agriculture. The study also points out that the small, rural producers who are subjected to the exploitation of the moneylender-trader network, do not get the benefits of the government procurement system; that in the current drought the concentration of rural assets will increase with the ruin of the small, rural producers; and that to ward this off, the government should extend the public distribution and procurement networks in order to reach the rural poor, both small producers and labourers alike, while increasing the wages, of the latter.

Organisations of large-scale industry do not usually come out in favour of higher prices for agricultural commodities, nor do they rue the ruin of small, rural producers. Cheap food allows wages to be kept low and thus raises profits. In the imperialist sponsored green revolution it was through the transformation of small agricultural producers (tenants) into agricultural labourers that the development of agrarian capitalism mainly took place. Why then is the PHDCCI concerned about the ruin of small agriculturists?

What the PHDCCI study expresses is the problem of the market faced by industry, a problem accentuated by the current drought. Capitalism of any kind, even of India's semi-colonial, semi-feudal variety, faces a continuous contradiction in its dealings with others, whether workers or peasants. Capital, in order to maximise its profits, must reduce the incomes of producers as sellers, whether of commodities produced outside the capitalist system or of labour-power. But it is these very incomes that determine the capacity of these persons as buyers of industrial commodities. As a result of this contradiction, capitalist accumulation remains dependent on consumption, visibly restricted by the latter in a time of crisis. It is this crisis that is reflected in the problems of the market.

This contradictory relation exists as

much between the owners of industry and peasant producers, as it does between the owners of industry and their workers. If anything, in a largely peasant country like India, the former is a crucial contradiction, affecting the entire process of accumulation. In the last agrarian crisis of a similar magnitude (the famine of 1965-67) industry was pushed into its first recession in the plan period. It is instructive to note that the crisis of 1965-67 brought to the fore two trends in the process of accumulation. The first was that, under American pressure, the green revolution policy was initiated, a policy that substantially increased the market for industrially-produced agricultural inputs. The second was that the machinery manufacturing units (set up invariably in collaboration with some TNC), finding that their internal markets had collapsed with the recession, took to looking for external markets in other third world countries.

Despite all the talk of agriculture having insulated itself from the monsoon and industry having insulated itself from harvest setbacks, the cry of the PHDCCI shows that there are considerable sections of industry that are directly dependent on the agrarian market. This agrarian market depends not so much on the growth of overall agricultural output as on per capita productivity in agriculture. Per capita incomes determine to what extent the agrarian population, after meeting their food and other non-industrial consumption needs, has any surplus left over with which to purchase industrial commodities. Even now more than 65 per cent of the population is dependent on agriculture. In times of crises the force of the market question, reveals the variance of accumulation with "the narrow basis on which the conditions of consumption exist" (Marx).

Whether it is in means of production or of consumption, the narrowness or otherwise of the agrarian market depends not only on the development of productivity but also on the manner in which the development of capitalism is taking place. An essentially landlord-based transition will develop the market for large-scale means of production, like large tractors and even, as has recently been the case, for harvester combines. But a peasant-

based accumulation process will develop the market for smaller horsepower tractors and other relatively simple means of production. In terms of value the two markets may be of the same size. But the peasant-based market would require a larger volume of production of smaller value commodities. In fact, this would be so both with respect to both means of production and means of consumption. A large volume of production is a prerequisite for any attempt at self-reliance; while a small volume of production, even if larger in value terms, would only perpetuate the technological dependence on various kinds of TNCs, fostered by the green revolution.

The problem of the agrarian constraint on industrialisation, expressed by the semi-feudal mode of production in agriculture, then does not end with the adoption of just any process of accumulation, such as the green revolution was. The question of the peasant versus the landlord path to capitalism still remains to be settled. This is a question of importance not only for the peasantry itself, but for the whole nation, as the development of markets adequate to foster self-reliance depends on this.

The choice of the two paths of agrarian transformation also has political implications. Lenin in refusing to support the Stolypin reform of developing landlordcapitalism, pointed out, "To facilitate the development of the productive forces (this highest criterion of social progress) we must support not bourgeois evolution of the landlord type, but bourgeois evolution of the peasant type. The former implies the utmost preservation of bondage and serfdom (remodelled on bourgeois lines) the least development of the productive forces and the retarded development of capitalism; it implies infinitely greater misery and suffering, exploitation and oppression for the broad mass of the peasantry and, consequently, also for the proletariat. The second type implies the most rapid development of the productive forces and the best possible (under commodity production) conditions of existence for the mass of the peasantry."

Bondage and serfdom are not only economic (lower incomes and wages) but also political questions, involving a denial of civil liberties, of bourgeois rights. In India this takes the particular form of the institutionalised inequality of the caste system, overlaid with other restrictions of force and bondage. A peasant mode of agrarian development, combined with an attack on the inequities of the caste system (along with the other forms of ethnic discrimination, as of the tribals and religious minorities) will provide a wide

### ESSAR GUJARAT LIMITED

FORM IIA See Rule 4A(1)

form of general notice to be given to the members of the public before making an application to the Central Government under sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969

### NOTICE

It is hereby notified for the information of the public that ESSAR GUIARAT LIMITED proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under subsection (2) of section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking/unit/division Brief particulars of the proposal are as under -

<ol> <li>Name and address of the applica</li> </ol>	ant
---	-----

2 Capital structure of the applicant

Management structure of the applicant organisation indicating the names of the Directors including Managing/ Wholetime Directors and Manager

Indicate whether the proposal relates to the establish ment of a new undertaking or a new unit/division

location of the new undertaking/unit/division

Capital structure of the proposed undertaking

in case the proposal relates to the production storage supply, distribution marketing or control of any goods/articles, indicate

(i) Names of goods/articles (ii) Proposed licensed capacity

(iii) Estimated annual turnover

In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value income, turnover etc

Cost of project

Scheme of finance, indicating the amounts to be raised from each source

Essar Gujarat Limited 13th Floor

Maker Chambers IV Nariman Point Bombay 400 021

Authorised Capital (Rs in lacs) 3000 00 3 00 00 000 Equity Shares of Ps 10/ each 50 000 Preference Shares of Rs 100/ each 50 00 3,050 00

Subscribed and Paid up Capital

59 81,307 Equity Shares of Rs 10/ each 59813 140 Preference Shares of Rs 100/ each 014

598 27

The company is managed by the Managing Director subject to the control, direction and supervision of the Board of Directors of the Company The names of Direc tors of the company are as follows

Shri Ravikant N Ruia

-Managing Director

Shri Shashikant N Ruja Shri Inder Chand Jain

Shri Dilip Dwarakadas Udeshi

Shri Sanjeev Shriya

Shri K R Ramamani

Shri Prashant S Ruia

Yes The proposal relates to the establishment of a new 100% Export Oriented unit to manufacture Flat Steel Products Hot Rolled Sheets/Coils

Village Hazira, Taluka Chorasi Dist Surat, State Gujarat Authorised Capital Subscribed Capital Paid up Capital In addition to the capital structure given in point (2) above, it is proposed to make equity issue of appropriate amount The authorised share capital will be increased before the equity issue

Flat Steel Products-Hot Rolled Sheets/Coils 8,00,000 tons/year

Rs 40,800 lacs

Not applicable

Rs 96,700 lacs

Equity (including internal accruals and public issue)

(Rs in lacs) 24,200 00

Borrowing

Debentures Financial Institutions/banks 7,500

Deferred Credit/Euro Currency/

30,000 35,000

Borrowings/Debentures

Total

72,500 00 96,700 00

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

Dated this 7th day of April 1988

for ESSAR GUJARAT LIMITED (R VENKATACHALAM) Manager (Accounts)

base-for democracy in India, a base from which further social advance will be much more possible, than under the present imperialist-comprador-bureaucraticfeudal dispensation

Coming back to the question of the reasons for an organisation of industry to demand a more favourable situation for the peasants, this is to the obvious benefit of those sections of industry that are suppliers of consumer and input commodities to the countryside. Their market depends very much on the surplus left over after meeting input costs. This surplus would affect both the consumer demand of the peasants and their ability to carry out in vestment, which would mean a larger purchase of inputs. But the immediate and obvious benefit would be for those in dustries supplying commodities other than agricultural inputs. The Punjab Haryana Delhi west UP region has seen the growth of a considerable rural market, both for agricultural inputs and for consumer goods. But in the recent past this market has not grown as lapidly as it did in the seventies

As far as the capitalist landlords are concerned there is a limit to the extent to which agrarian mechanisation can be carried Further extension of this capitalist production would require the displace ment of the small peasants. Given the lack of alternate ways of using their labour, the peasants push their consumption to such low levels as to make the rate of rent they pay, either directly as rent or indirectly as interest on usury capital, a barrier to the investment of capital in agricultural production There have been reports that in the heartland of the green revolution moneylanding has become more profit able than productive investment in agriculture The problems of agrarian accumulation have led the landlord capitalists of the Punjab, organised in the Sikh movement, to look for ways to enter industry, an entry that is being blocked by the dominance of the north Indian trading castes in industry and the control of Delhi over all economic matters

As far as the peasantry is concerned, the fall in rates of return and the exactions of the trade-moneylender-bureaucrat network have restricted their ability to accumulate or buy industrial commodities. All in all the ability of both peasants and landlord-capitalists to purchase industrial commodities in the heartland of the green revolution has been seriously eroded.

This is what is leading the PHDCCI to look for ways to increase the rural market. Their advocacy of the cause of the peasants (rural poor) is very much born of their self-interest. One of the first actions of the Barnala government was to facilitate the purchase of combine harvesters. But that could not have been of much benefit to the producers of agricultural machinery. Finding that the higher end of

the market is not growing, the producers of agricultural machinery, like tractors, have already made plans to enter the lower end, with tractors of 25HP or less

So far, the growth of a peasant market for technologically simple inputs and consumer goods has been of help in promoting the development of a bourgeoisie that is not linked to and dependent on imperialism for technology and brand names. As it is, there is in this region a flourishing middle, national bourgeoisie. Unlike in most other parts of the country

side, towns here are not just centres for the sale of various commodities produced in metropolitan cities, but are themselves centres of small industry Production of simple inputs, like threshing machines, and of household equipment, like bicycles and sewing machines, has fostered the growth of a national bourgeoisie What the PHDCCI study means is that this national bourgeoisie will find itself facing increased competition from the imperialist-connected big houses, which will now pay more attention to the lower, peasant end of the market

# Geopolitics of Food

### America's Use of Food as a Weapon

Vandana Shiva

Control over world food has been as strategic an objective of US policy as military systems. The world food system is being restructured artificially through sacrificing the survival interest of third world and American farmers not only through the US Farm Policy but also through the GATT and the World Bank and the IMF

IOR America, food has been central to its foreign policy since World War I, when the slogan was 'Food Will Win the War' In 1919 president Wilson warned, "Bolshevism is steadily advancing westward. It is poisoning Germany It cannot be stopped by force, but it can be stopped by food" In the Second World War food was again viewed as a weapon. And America's post War food relief was also simul taneously business and politics. The lion's share of PL 480 food aid went to foleigh countries in which the US had a political. economic or military interest. In 1972 and 1973, 70 per cent of all PL 480 dollars purchased food for the war economies of South Vietnam and Cambodia and 'Food for Peace' was nicknamed 'Food for Wai' Food aid and trade has become a signi ficant destabiliser in societies that do not accept American hegemony such as Chile under Allende in 1973, Egypt in 1967 In 1974, a CIA study concluded that the world's increasing dependence on American grain surplises "portends an increase in US power and influence, especially vis-a vis the poor food deficit countries" It was not just through food aid but agricultural aid and changes in food production that America intervened in the political affairs of the third world

America's political role in food was a major component in the launching of the green revolution in countries like India. The green revolution was prescribed as a techno-politic strategy that would create abundance in agricultural societies and reduce the threat of communist insurgency and agrarian conflict. The British-American-sponsored Colombo Plan of 1952 was the explicit articulation of the

development philosophy which saw the peasantry in Asia as incipient revolutionaries, who, if squeezed too hard, could be rallied against the politically and economically powerful groups Rural development in general, and the green revolution in particular, assisted by foreign capital and planned by foreign experts, were prescribed as means for stabilising the rural areas politically "which would include defusing the most explosive grievances of the more important elements in the countryside" This strategy was based on the "idea of an agricultural revolution driven by scientific and technological innovations, since such an approach held the promise of changing the agrarian relations which had previously been politically so troublesome" Science and politics were wedded together in the very inception of the green revolution as a strategy for creating peace and prosperity in rural India

American advisors gave the slogan of building on the best. The green revolution was thus concentrated in those agricultural regions which were well-endowed with fertile soils and reliable water The government, using foreign assistance, gave subsidies for seeds, chemical inputs such as fertilisers and pesticides and farm equipment. Not only was the green revolution geographically enclavised, it was enclavised socially it built on the bestendowed region as well as the best endowed farmers, with the organising principle being market profitability and private gain of the individual farmer The think tanks for this 'induced development were the Rockefeller and I ord Foundations, the expertise came from America and American-trained agriculturists and

the capital for investment for the commercialisation of Indian agriculture came from USAID and the World Bank. The commercial, enclavised, centralised, exogenous model of agriculture development which resulted had major political and ecological implications which are dramatised in Punjab after two decades of green revolution practice. At the political level, production of high yields of commercial grain have generated new scarcities at the eco-system level, which in turn have generated new sources of conflict.

As the old mechanisms of using food as a weapon fail, new ones are being created and the memory of America's role in creating past failures is being erased. Thus, while the World Bank was central to the designing and enforcing of the credit and subsidy system that made the green revolution financially possible, it is now telling third world countries that followed the instructions that their food production is uneconomical and not viable. The bank has started selling an ideological slogan that self-sufficiency in food is not essential to food security, thus setting the stage for countries to become totally vulnerable to US food trade and foreign policy After having induced a shift from low-cost, internal resourcebased self-sufficient and sustainable food production to capital-intensive, chemical intensive, energy-intensive, external resource input-based non-sustainable agriculture, the bank's 1986 report on Poverty and Hunger states that "an increase in domestic food production in India will not reduce food insecurity unless it reduces food prices" The report does not mention the World Bank role in the increasing food insecurity, by making food production more capital and resourceintensive, thus excluding large numbers of rural people from participation in both food production, and food consumption. The Bank's prescriptions to separate food security issues from those of food selfsufficiency, and thus to encourage dependence on food imports comes at the same time as the 1985 US Farm Bill which is primarily aimed at America's policy to control the world politically by controlling the world's supply of food.

In a letter to the *Time* magazine senator Rudy Boschwitz, a spokesman of the Reagan farm policy stated quite clearly that US farm policy was aimed at putting third world food exporters out of busines. He wrote "If we do not lower our farm prices to discourage these countries now, our worldwide competitive position will continue to slide and be much more difficult to regain. This discouragement should be one of the foremost goals of our agricultural policy."

Lowering the food prices in the US is' achieved by precisely those measures like subsidies which the World Bank and the

IMF remove in third world countries through their conditionalities. Thus in 1986, the US spent almost \$ 10 billion to subsidise corn and wheat exports for which it received only \$ 5.2 billion. While the World Bank uses arguments of cost-effectiveness to dismantle public food distribution systems and remove food subsidies in the third world, the US builds its food monopoly through totally subsidised and cost ineffective programmes.

Thus, the US lowered world prices of rice from around \$ 8 per hundredweight to less than \$ 4 not by reduction of costs of production, but by an export subsidy of \$ 17 per each hundredweight of new rice exports, currently worth only \$ 4 per hundredweight. This totally artificial price is nearly \$ 80 per ton below third world cost of production, and roughly \$ 140 per ton below the US cost of production. The result is an overt attack on the survival of third world farmers and third world economies. The reduction of world prices by half by the US farm policy hurt the 4 million Thai rice farmers so severely that they were forced to demonstrate against the US Farm Bill at the US Embassy in Bangkok. The US Farm Bill does not represent the interest of American farmers. They, like fariners of the third world are also victims of a policy that disposseses them in their land while benefiting large banks and food corporations. Farm debt in America has risen from \$ 120 billion in the early 1970s, to over \$ 225 billion in the early 1980s. Farm population has dropped by nearly 30 per cent between 1950 and 1960, and another 26 per cent between 1960 and 1970 as small farmers are thrown off their land. It is estimated that by 1995 the family tarm will be virtually extinct in America and within these few years half a trillion dollars worth of productive capacity will pass into the hands of corporate agribusiness.

While the argument for their displacement is that they cannot compete economically the dispossession of the farmer is determined largely by non-economic factors, such as export subsidies, which are politically determined. Thus while a country like Thailand produces rice at a lower cost than America, Americans can manipulate the price of rice in US and the world below the cost of production in US and Thailand. The third world farmers and their American counterparts are being pushed out of business not by a more efficient, just and cost-effective system of food production but by a highly speculative cost-ineffective and wasteful system. The latest round of the use of food as a weapon by corporate America attacks both American and third world farmers by cutting the US prices so far below the cost of production that it forces out of business local producers around the world and makes everyone dependent on the US for food. Reagan's agriculture secretary during the 1985 Farm Bill debate, John Bloch, spelled out their strategy very clearly.

The push by some developing countries to become more self-sufficient in food may be reminiscent of a bygone era. Those countries could save money by importing more food from the US modern trade practices may mean that the world's major food producing nations, especially the US, are the best source of food for some developing nations.

Control over world food has been as strategic an objective of US policy as military systems. The world food system is being restructured artificially through sacrificing the survival interest of third world and American farmers not only through the US farm policy, but also through GATT and World Bank-IMF. Removing food subsidies for the poor is part of IMF's austerity programmes for debt-ridden countries. Susan George has recently described the case of a Brazilian mother who soaks newspaper in water to make little cakes for her children to eat so that they feel 'full' even without food.

The restructuring of the world's food system through GATT that the Reagan administration is aiming at is based on the removal of all protective barriers that ensures survival in the third world Liberalisation of food trade basically implies that third world farmers will be wiped out by artificially cheap and subsidised exports from the US. The creation of the 'free market' globally is basically freedom for powerful interests in the US to destroy agriculture throughout the world. And in this programme of power based on erosion of food self-reliance, and security, Reaganites have a strong partner in the World Bank. Instead of warning the third world of the dangers of total trade liberalisation in food, the World Bank Report ends with the misleading conclusion that trade liberalisation generates food security for the poorest and restraints on trade contribute to food insecurity. Paradoxically its final advice is that 'foodinsecure' countries use the tools of the multinationals such as futures trading to generate food security. The World Bank prescription amounts to allowing the distribution of something as basic as food to be controlled entirely by speculators dealing in paper contracts for future delivery of food commodities-which they have not produced and which they will never see or touch. Lack of control by producers and consumers can only be a source of food insecurity, not security. And basing economies on speculative trade introduces risks, it is not a risk insurance. Contrary to what the World Bank would have us believe, multinationals have robbed the third world of food security. Popular classics like Food First and How the Other Half Dies have recorded these processes of food insecurity generation sufficiently.

## Unity and Struggle

### A Report on Nari Mukti Sangharsh Sammelan

Gail Omvedt Chetna Gala Govind Kelkar

Despite the many tensions between the urban feminists and the mass-movement oriented feminists and the basic controversy on the question of larger political linkages and autonomy, the Sammelan showed that the women's movement does have a common feminist perspective which sees the state as the main upholder of patriarchy and women's subordination.

TOWARDS the end of 1986, some women activists started discussing the possibility of organising a conference that would bring together diverse kinds of women's organisations and individuals in Bihar. This culminated in the Nari Mukti Sanghaish Sammelan held in Patna, February 5-8 1988

In spite of the growth of organisation and consciousness, during the international decade of women, women in India continue to experience increasing violence, rape and dowry deaths. They are excluded more and more from work on the organised sector: they continue to be marginalised as labourers and peasants, and their contribution to subsistence and reproduction remains unrecognised. Growing religious fundamentalism and goondaism seek to push them back under patriarchal control to keep them propertiless and resourceless and to deprive them of all rights as human beings. So many efforts to organise women against atrocities or to fight their economic and political exploitation and come up against seemingly insurmountable obstacles. In this situation we felt it was necessary that the women's liberation movement should transcend its organisational fragmentation, develop its programme and perspective, and get rooted in the rural majority of toiling women in India. We felt the conference would be part of a process of building such a movement, in which women would come together to assess the movement, assess its achievements, reflect on its shortcomings and work towards achieving unity in struggle.

Feminist groups had made the attempts at organising broad women's liberation conferences in India—both held in Bombay, one in 1980 and one in December, 1985. Both were attended by many organisations and individuals among working class and peasant women, and some with Marxist-Feminist links. While the focus of the 1980 conference was rape and other atrocities against women, the 1985 conference made against women, the 1985 conference made serious efforts to discuss several other issues (e.g., religion, communalism, wealth etc) and also did seek the participation of rural women and women activists from remote

areas of the country.

In April 1986, a political organisation, the Indian People's Front, invited a wide variety of feminist groups and individuals to attend a national women's conference held in Calcutta in April 1986. Unlike the first two conferences, this focused more on issues of women and work and concluded with a mass march and rally. Some participants felt that the organising political group made a premature attempt to centralise the decisionmaking process in the women's movement. but it was felt that more time was needed to create democratic co-ordination. While no on-going co-ordination body could be formed at any of these conferences, some of us discussed in Calcutta ahout coming together again preferably in north India where patriarchal and feudal attitudes towards women were thought to be the worst. But no time and place was decided.

Then came the Arwal massacre in Bihar, and following this the democratic organisations came together in a massive front. During this process, the problems of women's liberation were a major topic of discussion among activists, the political organisations working in rural Bihar had begun to form women's organisations, had a large number of grass-roots women activists and/or were already taking up women's issues. It seemed appropriate, therefore, to have a national conference of women in Bihar.

Four preparatory meetings were held bringing together women's organisations and individual women activists at Nagpur and Bombay. The Nagpur meeting was attended by representatives of the following organisations: Chhatra Yuva Sangharsh Vahini (Bihar and Maharashtra), the IPF Women's Cell (Bihar), the Stri Mukti Sangharsh Culval (Sangli district, Maharashtra), Stri Mukti Sangharsh Manch (Delhi), Shetkari Sanghatana Mahila Aghadi (Maharashtra), Satyashodynak Kashtakari Mahila Sabha (Dhule district, Maharashtra), Stri Manch (Nagpur), Stri Jagrati Samiti (Bombay), Stri Atyachar Virodhi Manch (Nagpur), All India Progressive Women's Organisation (Nagpur). Of these the activists connected with the first five organisations remained heavily involved with the sammelan until the end. In addition, several organisations which could not attend offered support, such as the Forum Against the Oppression of Women (Bombay) and Republican Party Mahila Aghadi (Maharashtra). At this meeting a tentative initial plan for the conference was decided upon including a three days workshop with group discussions and plenary sessions and a tinal day of mass rally and march.

Both the Nagpur and Patna meetings had agreed that along with group discussions there would be planning sessions oriented to formulating common position on crucial issues of the women's movement. At the Patna meeting it was decided that conference co-ordinations should draft a set of guidelines to aid this process and for this purpose a meeting was called in Dethi in October.

Instead of discussing guidelines for resolution, however, the two-day largely-attended Delhi meeting focused on deciding who would be invited to the conference and on formulating a common 'statement of purpose' which would serve this end. This process involved a long but useful discussion on the role of organisation and individual within the movement and on the principles which have defined the women's movement. Along with this, the topics for discussion at the workshop were decided, and a nationwide co-ordinating committee was formed.

During this year-long preparatory period a common position emerged among all the participating individuals and organisations regarding the objectives and general orientation of the sammelan. Significant mobilisation of personal support and funding from a wide range of women throughout the country took place during the period. At the same time, different trends among the participants could be seen emerging, from the beginning and these were the background for debates and took place over the questions of funding, the issue of sponsoring organisation, and the participation of men.

The call, finalised at the Patna meeting, included an appeal "to come together to build a women's liberation movement through which the struggle of all toiling people can go forward".

Let us gather in Bihat to say no to slavery Let us organise the fight against oppression, goondaism, exploitation, casteism and patriarchy

The sammelan was to open to all individuals and organisations who agreed with the following statement of purpose: We believe:

- l That the struggle of women's liberation is a struggle against the entire existing exploitative socio-economic and political structure:
- 2 That women are specifically oppressed by patriarchy within this system and need to wage a specific struggle against that oppression;
  - 3 That in the Indian context women's

oppression is inextricably interwoven with class, caste, communalism, the erosion of democratic rights, ethnic discrimination and other such issues, and that women's participation in struggles on such issues is vital;

4 That it is necessary for women to organise specifically as women, whether as units of or affiliated to larger political organisations, or as autonomous groups, to address the issues outlined above.

Thus there was a general agreement on the anti-state thrust and rural orientation of the sammelan and on the simultaneity of women's oppression (as workers, peasants, agricultural labourers, dalits, adivasis, oppressed minorities, oppressed nationalities and as women) and the specificity of women's oppression (that within every class, caste, minority and nationality group, etc, women are especially subordinated and oppressed as women).

Some of us felt that the political groups had paid more attention to the social oppression of women while feminist groups had stressed the familial relationships largely to the exclusion of the former. The sammelan and its organising process involved an attempt to arrive at an agreement regarding women's oppressions that took account of both the social and familial levels. For instance, the major resolution on violence passed on February 8 stated.

Women face specific forms of violence tape and other forms of sexual abuse, female foetleide, witch-killing, sati, dowry murders, wife bearing. Such violence and the continued insecurity that is instilled in women as a result keep them bound to the home, economically exploited and socially suppressed. In organising struggle against violence In the family, society and the state, we recognise that the state is one of the main sources of violence and stands behind the violence committed by men against women in the family, the work place and the neighbourhood. For these reasons, a mass women's movement should focus on the struggle against state violence while building the strength of women to confront all those who use violence against them in the home or out of it

#### EFFORIS A1 MOBILISATION

It was on the basis of this broad general agreement that mobilisation of collective and individual support, including funds, took place. Some of the relatively bigger women's organisations such as All India Women's Conference (AIWC), National Federation of Indian Women (NFIW), All India Democratic Women's Association (AIDWA), Self-Employed Women's Association (SEWA), Working Women's Forum (WWF) did not support or take part in the sammelan. They apparently considered the sammelan 'too political', i e, anti-state, and/or too feminist. There were, however, groups that did extend support and would have participated but dld not do so because of obstacles of distance or their commitment to other activities at the time of the sammelan.

There was a general agreement (with only a few instances of protest) that funding would not come from foreign donor or government agencies for organising the sammelan. All money would be raised through voluntary contributions from individuals or organisations However, there was a related debate over who would be included as 'sponsoling organisations'. It was decided not to have 'sponsoring organisations' as such, instead organisational identities were to be submerged during the three days of workshops and plenaries when people would gather under the banner of the sammelan and only on the fourth day would women mobilise under their own organisation's banners.

Another point of controversy was men's participation in the sammelan. At the final preparatory meeting in Bombay when some members of the co-ordinating committee from Bihar pointed out that rural women from Bihar would not be able to speak freely in the presence of men. Therefore, they would be allowed to attend the plenaries as observers. By the time the sammelan was over there was a resolution:

While the leadership of the women's movement should remain in women's hands, we recognise and welcome the participation in the women's movement of mass organisations and men in other progressive movements, although the theory and practice of these comrades on the women's questions, may not yet be fully developed. We should also seek ways of increasing such participation and ideological understanding.

#### THE SAMMEL AN

The conference was held in Brij Kishore Meniorial Hall, in a suburban area of Patna, by the side of Ganges river. There were nearly 700 pai tigipants, drawn from close to 200 organisations from the states of Assam, Meghalaya, West Bengal, Orissa, Madhya Pradesh, Bihar, Andhra Pradesh, Karnataka, Tamil Nadu, Kerala, Maharashtra, Goa, Gujarat, Rajasthan, Uttar Pradesh and Delhi About 60 per cent of the participants were from the rural areas, including many tribal women from Jharkhand, Assam, Maharashtra, Gujarat and Rajasthan.

The sammelan was inaugurated by songs illustrating the militant culture of peasant and working class women. Besides, there were such cultural programmes in the evenings, organised either by some local cultural groups or from among the participants themselves. The workshops did not involve the presentation of papers, but were in essence group discussions carried on in usually two (Hindi and English) and sometimes as many as five languages.

The themes of the workshops were (1) women, work and property (this included sub-groups discussing six different themes; peasant production; land and other property rights; unorganised sector including trading, production, gathering and services; sub-sistence production including, housework; technology; women, work and struggle in-

cluding organised workers' struggle); (2) women and violence (four sub-groups discussed violence in the socio-political system, family and religion; the state, militarisation and peace movements; violence and the progressive movement; and women's resistance to violence); (3) women and health (this included four sub-groups centring on the two themes of the relation of woman to her own body and health in her socio-economic position; and her relationship to the health care system); (4) women and ecology (one large group focused on the questions of the nature and extent of environmental degradation, its impact on women, its causes, efforts of grass roots groups to combat it, and feminist perspective on an alternate development) (5) women, religion, culture and communalism (five sub-groups dealt with aspects including fundamentalism, communalism and personal laws; the impact of religionwomen developing their own culture; childhood-socialisation, purity and pollution, sexuality, and new relationships between women and women and workers and men) and (6) women, patriarchy and struggle (fourteen workshops were held discussing all aspects of the topics). There were thus a total of 33 group discussions lasting nearly six hours each.

The highlight of the final day was the massive march and the rally at Gandhi Maidan. With the purple banner of the Nari Mukti Sangharsh Sammelan in the forefront over 12,000 women marched under the red, white and green banners of their organisation for nearly four hours through the streets of Patna, shouting slogans and dancing in the streets. Mobilisation in Bihar, which was of course the largest, was mainly of poor peasant, dalit and adivasi women from the districts of Jehanabad, Gaya, Bhojpur, Palamau, and from the districts of Jharkhand in the south. The rally was addressed entirely by rural and working class women who discussed their struggle, especially against state and police repression, but also against alcoholism, against sex abuse, against local landlords. A Pakistani woman talked about the fight against growing fundamentalism, and Jharkhandi women spoke of opposing the sexual harassment of women by forest guards, bureaucrats and moneylenders. Women demanded economic rights, including the right to land, higher wages for agricultural labourers, higher remunerative prices, and talked of organising to win political power either in local panchayats or as our long-term struggle to bring the 'rule of the poor'. As darkness fell and people began to disperse to homes near and far, the concluding song 'We Shall Overcome', sung simultaneously in a multiplicity of languages, expressed the determination of all participants to carry their struggle forward.

#### UNITY AND STRUGGLE

Though there was broad agreement on objectives, the effort to come together was

never smooth sailing. It was fraught with differences from the beginning particularly between some of the urban feminist groups and mass movement-oriented feminists. And they reflected the basic controversy in the Indian women's movement today on the question of larger political linkages and autonomy. For instance, a leaflet circulated by a local youth organisation, Bharat Naujawan Sabha (BNS) raised some of these points. Appreciating the general political stand of the sammelan i e, struggle against the entire exploitative system, it has stated:

But a number of questions still remain It appears to us that any fundamental transformation of the existing exploitative structure is in the final analyses a task of the political .We therefore support the attempts of the women's movement to clearly inscribe upon its banner the specific aspirations of the Indian woman for a life of equality and dignity From this viewpoint, we support the contention that the primary task of the women's organisation should be to organise the women on the basis of their specific issues. If this is the essence of demand for autonomy of the women's movement, we support it too. But if autonomy indicates denial of allegiance to a common revolu tionary goal, if it means severance of all relations with the political forces struggling for a revolutionary change, we beg to hold different views. We hope that the ensuing conference would strive its best to clarify the concept of autonomy

The urban feminists, in most cases, have stressed in their work individual cases of atrocities and the oppression of women by men. They stress the 'autonomous' character of their organisations and assumed that groups and individuals which are linked to political organisations/mass organisations to be male dominated, incapable of autonomy; as a result, consciously or unconsciously they consider themselves to be spearheading the feminist movement in India. Yet in their 'autonomy' they tend to make the women's question unpolitical and separated from the problems of class and state oppression which are central to the exploitation of toiling women. Regarding the organisation of the sammelan, they emphasised group discussions to the exclusion of practically everything else such as plenary sessions oriented towards articulating a common position. They defined the latter process as undemocratic and hierarchical and they wanted to have plenary sessions geared to the reporting on groups discussion; they opposed any kind of male participation.

The other trend of mass movementoriented feminist, is usually linked to people's organisation and/or political groups, and while they are struggling with the problems of male domination and hierarchy within their own organisations they are often unwilling to discuss these tendencies in forums outside. They strongly believe that one cannot fight such patriarchal tendencies by staying away from the organisations and by ignoring the positive contribution these organisations have made to free women though only partially, from various forms of oppression and exploitation. They saw the sammelan as oriented to building and furthering a mass movement of women and so were more concerned to have plenary discussions that would achieve a common programme and about the mass march and rally of the final day of the sammelan. They had, however, a tendency at worst to dominate and to use the sammelan for the benefit of their own organisation.

These were the two major conflicting trends. However, a subsidiary factor was differences among the mass movement-oriented feminists, partly connected with political differences of the groups/organisations they were linked to, which were reflected in ten sions, inability to co-ordinate and tendencies to manipulate and dominate and fear of others doing so. By the time of the sammelan, differences had emerged between two mass political organisations in Bihar, both of which have seriously looked at the women's question, one believing in the need for a revolutionary party and confronting the question of the state, the other coming from a socialist and idealist tradition which nevertheless has taken up women's issues and intra-familial and intra-organisational relationships more seriously than most of other political groups

Both types of differences hampered the achievement of the objectives of the sammelan. In spite of the agreement on the objectives of the sammelan, the two major trends found it difficult to amicably work together. A lot of the time assigned for coordination work was wasted in resolving the minor issues which magnified into major problems at the time of sammelan. During the sammelan itself, some of the urban feminists often saw the sammelan as being taken over by political, 'Naxalite' maledominated groups and actively propagandised about this among the participants, particularly those from the NGOs, and even to the press. There emerged up a sectarian way of dealing with the group discussions, which are essentially democratic and participatory in nature and have been a major contribution of the women's movement. They saw the group discussions as the main forums to use to spread their own concepts of patriarchy, class, religion, sexuality and so on among the masses of women, and were reluctant to submit these concepts to the dynamics of a mass movement. In the sammelan, this approach led them to block the functioning of the plenarles. The time for plenaries was taken up totally in reporting on the group discussions, without any consideration that such reporting was undemocratic, non-participatory and left a vast majority of the participants disinterested, passive listeners. Further, there was hardly any time left for open discussion and assessment of the conference, future plans, perspectives on the women's movement and the role of such conferences in the women's movement. Thus a major drawback of the sammelan was that it ended up without any real discussion on such issues and without any time for serious debate on the resolutions.

We feel that organising collective action for change is the only way to make real progress towards women's liberation, towards breaking down the structures of patriarchy, class, caste, etc that exploit women, towards creating effectively functioning new structures and communities, or even towards achieving any significant reform. Yet such collective organising has its own necessities -including organisational structure, leadership, the foundation of a common programme or agenda for action and acceptance of a common strategy and at least some common discipline. These necessities are too often neglected by many in the women's movement. Sometimes they seem contradictory to 'feminist values' of democratic participation and anti-clitism, and for this reason collective action is often rejected altogether, though never very openly. The result is that problems are not confronted and overcomes

It is in this context that the fate of the plenaries and resolutions in the sammelan has to be seen. There has to be an agreedon programme for collective action to be organised. Resolution here represent not inere statements of protest on appeals issued by a group of women gathered together; they involve a commitment by the collective to its own future action whether immediately or in the more distant future. Such commitment and unity is not so easily achieved in the face of so many actual diffciences. Resolutions especially on complicated issues do not simply 'come from the floor' and are not easily worked through. Given the failure of earlier conference to come up with resolutions and a common programme we felt from the beginning in organising the sammelan that some of the crucial resolutions and areas of differences should be discussed among the activists involved in preparing for the conference, taken back and reformulated in local group processes, and then be widely discussed in the plenary session at the sammelan-a process which would provide time for differences to emerge and for at least some of them to be resolved. This did not happen, and it was largely because of the unwillingness of some of the urban feminists to work with such a process. We feel this raises serious tssues about the commitment to collective action and about the ways we can work together to go ahead.

In spite of these drawbacks, the significant achievements of the sammelan were made possible by the unity that overrode differences. The tremendous mass mobilisation for the February 8 tally is a landmark in the history of the women's movement in India and especially in Bihar. It is worth stressing that this was made possible by the united efforts of all the participating organisations, and that it was the agreement these organisations could come to on the issues of the women's movement that made it possible for them to come together even though ideolo-

among them in the last years.

The anti-state and rural orientation shown by the women's movement in the sammelan and endorsed by all the participants whatever their difference, was embodied in the fact that the mass meeting was addressed entirely by rural and working class women, with a prominent representation of dalit and adivasis, and that the police could do nothing to prevent the open participation of a banned organisation like the Mazdooi Kisan Sangram Samiti (MKSS).

Further the fact that in spite of so many tensions urban feminists and mass movement-oriented feminists found it pos-

gical and organisational splits have grown \ sible to work together until the end of the sammelan showed the realisation that their struggle is a common one. This coming together and the broader support shown for the sammelan by the innumerable women who could not come but donate time, energy and money shows the broad basis for the women's movement as one which is feminist, in opposition to the state as the main upholder of patriarchy and women's subordination, and which strives to go forward by building the struggle of rural and toiling

> [A full report on the sammelan will be available at: Kali for Women, N 84 Panchshila Park, New Delhi 110 017.]

### Kalahandi: A Stark Picture

At dusk in Maskapadar, no lights are lit, neither lamps nor candles, for there is no money for such luxuries. Fuel for the cooking pot is not required - in the entire village, there is not one evening meal to be cooked. Maskapadar is a typical Kalahandi village; some are worse, not many are better.

IN one of Kalahandi's police stations is a sixteen-year old, tribal glrl being punished for brewing unlicensed liquor. All attempts to get her to reveal the name of her employer-a man who owns a large number of unlicensed breweries—has failed. In spite of the obvious pain from her mutilated body, she steadfastly refuses to betray. She has wronged, she maintains, and will herself accept any punishment, but will not turn informer. The girl is illiterate.

Some years ago an elderly tribal man walked into the police station holding the severed head of his son. He had come to surrender himself for murdering his own son. It seems that the son had stolen liquor from his father, but denied having done so. When this deception became known, the man killed his son, not for having stolen, but for having lied. According to the ethics of his tribe, an imposter was unfit to live, and so he had sacrificed his son to preserve that ideal. However, he was aware, that by the legal framework of the country he lived in, his deed constituted a crime, and his surrender was proof of an unquestioning acceptance of the principles and values of a barely familiar society.

The young girl and the old man belong to the tribe of kuthia kondhs—the original. inhabitants of Kalahandi. Their behaviour is not particularly heroic, but merely represent the honest simplicity that guides the life of a tribal. A district in western Orissa, Kalahandi hit the headlines in 1986-87 seemingly because of the severe repurcussions of the drought. The desperation of its population was drawn in eloquent words and wellchosen photographs. Then, like all headline items, Kalahandi, soon lost its news valuethe reader having got used to even that dreadful degree of poverty-and became an editorial non-seller.

But in Kalahandi the problems, being of a historical nature, gather momentum. In reality, blaming the drought for the misery of its people oversimplifies a condition that at best points to the contributing administrative lapses.

As far back as in 1939, The Enquiry Committee's Report on Orissa States noted the following of Kalahandi:

... one of the few big states of Orissa... majority of the people are aborigines...state most undeveloped with extensive jungles... ruler all in all...the virtual serfdom of the people has kept then absolutely timid and backward. We are led to believe that economic exploitation of the people are probably the worst.

Similar statements would still describe the Kalahandi of today-half a century after the above report was written and forty years since the country's independence. At first glance Kalahandi mesmerises a visitor with the beauty of its landscape. Tall forests stand gleaming against a circle of hills. Through this a winding road, much crossed by peacocks and monkies, leads to Bhawanipatha—the subdivisional headquarters of Kalahandi.

Contrary to expectations, Bhawanipatna is not unprosperous. In fact, enjoying its position near Madhya Pradesh, it acts as a commercial outlet of products that go out of Orissa to its neighbouring state. Spread around the rambling 'palace' of the former rulers, the population of a few thousand live under the still fluttering insignia of a feudal past. In the town centre stands one of Kalahandi's ex-maharajas in marbled splendour -covered in pigeon droppings but intact. On either side of the high street are shops selling various wares. Goldsmiths and silversmiths have their place. There are chemists. shops selling consumer goods and quite a

few eating places peculiar to small towns.

But, one notices the excessive tribal population, engaged in menial work or no work at all. This is the result of the influx of people from the interiors, of those amongst the villagers who had the required courage or money to flee from inevitable starvation. Many crossed the borders to labour in the neighbouring states, while others came here to the district headquarter to find work to keep themselves alive. Yet even here, their existence is marginal. Crowded in pltiful shacks, rags barely covering their emaciated bodies, their lustreless eyes and despondant postures communicate no optimism. A drive to Lanjigarh block takes a couple of hours from Bhawanipatna. On the way, the forests, the flowers, and the dappled sunlight create magic. A waterfall roars down, and there, angry bees buzz possessively at intruders.

In Lanjigarh, Maskapadar is a tribal village standing in the middle of that proverbial nowhere. One hundred and fifty odd human beings hide themselves from the elements behind a few handfuls of straw and mud. Nobody here owns any land and the lack of irrigation offers little scope to earn through working on another's. There is no other avenue for a regular source of income. Last year, within three months, sixteen people had died of meningitis. Until then, there was no availability of drinking water. Their food intake is dependent on chance. Mandia—a gruel made from millet—the poor tribal's staple, is scarce. Roots, leaves, local mangoes when in season, castaway mango seeds, tamarind seeds, white ants, putrid animal flesh found rotting-constitute their diet. Malnutrition of a gross degree is evident in the large-headed, rickety children and the thin, aneamic, oftenmalformed adults.

It is their age-old patience and in-born courtesy that make these people tolerate the continuous stream of curious or self motivated visitors who come oozing pledges, encroaching on their privacy and making a mockery of the self-respect they try hard to preserve. But their feelings of frustration at being thus viewed is obvious and manifest in varying degrees on all their faces. Promises of any kind have ceased to have meaning. Square one, for the tribals, has long been the only square.

In the middle of the village square stands the trunk of a tree and a few stones. This ls Dharani Khunti-the new goddess who has evolved out of the villagers' fear of meningitis. Worshipping her is their only hope of escaping this disease. The nearest hospital is more than a few kilometres away at the block headquarters. It is a distance that is difficult to cover on foot carrying a seriously ill person. Any form of state transport or otherwise, if existent, is certainly not visible, and had it been one can safely wager, there would not have been any money to pay for travel on it. Understandably, the concept of a hospital is not one they are familiar with and are fearful lest. upon the death of a loved one in hospital, 4 . 3

the spirit should roam lonely and lost. So they treat their sick with prayers and potions from local sources.

Under a tree, a crowd of tribals are gathered. Drums beat and a girl with matted hair dances in calculated hysteria in front of offerings of mandia, chicken and mohua liquor. She is the Thakurani-through whom spirits descend to be appeased. The people are appealing for rain. The Thakurani demands a 'raika'—a blousc. The poor people request her to ask for something they can afford. Not even the local government officials can completely dismiss such beliefs.

#### MASKAPADAR, TYPICALLY KALAHANDI

Young men are hard to come by in Maskapadar. Most have fled in search of work and food. One of them, nervous and restless, stands by and watches. When asked what he does for a living, he shrugs. Anything, he says in a timid, low voice, anything in order to eat a little and live-road works, working in the fields, breaking stones to clear plots for shifting, 'Podu' cultivation. But mostly there is no work to be had.

He calls himself a murkha (illiterate, ignorant) There were no schools he could go to in his childhood. So as not to betray the people who come to ask for votes, during elections he stamps the ballot paper in the middle. This poor, young man, totally unaware of the ways of the world, in his genulne attempts to not hurt the interest of anyone, unknowingly casts an invalid vote. He does not even know the names of the political parties he is supposed to choose among.

Education still strikes a bleary note in the lives of this village. It is a well known fact that most teachers prefer the comforts of Bhawanipatna, to the isolation of a teach ing post in the interiors. And it seems there are ways and means for teachers in the staterun schools to get paid in absentia. It is the end of the day. A greying man, whose malnutritioned body defies any guess at his age brings in a few cattle.

Dependent entirely on nature, the animals are healthy, in stark contrast to the waning and feeble man pushing and pulling at them. A shrivelled woman sits huddled, her stomach touching her back. It is difficult to believe a human being can be so thin.

At dusk in Maskapadar, no lights are lit. There is no electricity in the village, nor any lamps or candles, for there is no money for such luxuries. Fuel for the cooking pot is not required anyway-in the entire village, there is not one evening meal to be cooked. Maskapadar is a typical village in Kalahandi. There are some that are worse-more isolated, farther from basic amenities—and not many that are better. For this article Maskapadar is only a case in point.

A few figures will help illustrate the case further. The 1981 census puts Kalahandi's population at 13,29,780. The rural population is 12,49,272—about 93 per cent of the total population. Approximately 48 per cent of the population consists of the backward classes-scheduled castes and tribes. 87 per cent of Kalahandi's people are dependent on agriculture. This is not because agriculture is well-developed, but, as the District Gazetteer puts it, opportunities for gainful work outside of agriculture is extremely limited. As much as 85 per cent or more of the total number of people who live off the land are landless labourers. In spite of this tremendous dependence on agriculture, only 6 per cent of the total land available for cultivation is irrigated.

The figures tell their own story. The low level of irrigation, drought conditions and an abundant supply of labour brings down the wage level considerably. A seldomfound hard day's work, from sunrise to sunset, often only earns a man six or seven rupees, sometimes as little as three or four. Little help has been forthcoming from the administrative quarters. Impending elections have inevitably caused many ribbons to be cut, much publicity has been given to the announcement of large, labour-intensive projects, but no work has yet started.

So those who had enough money to leave or the courage to do so, have left. Out of a population of 13 lakhs, 3 lakhs had left their villages by the end of 1986, resulting often in helpless dependents being left behind. But even this escape, mostly to short distances, because of the acute lack of money, has not caused much improvement in their living standards. Their complete illiteracy has made them suitable for no other work except physical labour in one form or another Hardly able to meet their own expenses abroad, not often is a man able to send money home.

#### GAME-PLAYING

In spite of agreements, albeit qualified, from all quarters regarding the urgent need of all round development, no serious planning seems to be at work in trying to ease these unhappy conditions. Much of what is done amidst a great deal of confusion is no more than game-playing. A few examples will illustrate this.

It is calimed that in the last five years, the state has suitk 67,000 deep-bore tubewells in the district. Therefore, only their invisibility explains the lack of improvement in the availability of drinking water, improvement in irrigation, or work, in most of the district. The state government had adopted a policy to sink a tubewell in every village with a population of over 250. Yet it should be apparent, even from a most cursory survey, that tribal villages are generally small, consisting of a few huts and less than one hundred people. As a result, a trip to and from a source of drinking water, is often no less than 10 or more kilometres. For a person who has never known a full stomach, the required enthusiasm is difficult to generate. So, water from a fetid pond continues to quench thirst and fill the belly.

Maskapadar was supplied with a tubewell out of turn after meningitls killed its people

and the news had a similar effect on the ruling party's image. The World Health' Organisation deems that a man needs 70 litres of water a day. The average figure for our population is 10 litres per person per day-and this is only an average. Calculations will show that in the cities, the amount of water required by a family of five, to drink tea twice a day, is equal to the amount available to a more fortunate villager for his entire daily requirements-drinking, cooking as well as personal needs.

Yet up to 10,000 litres of water costs Rs 3.50 in Delhi. A fortnightly from Delhi informs that in the next five years, Rs 2,000 crore will be spent to provide drinking water in Bombay, Delhi, Calcutta, Bangalore and Madras. In the Seventh Plan 1RDP has been granted Rs 3,500 crore to provide water to the rural poor. What discretion works behind the granting of Rs 2,000 crore to supply drinking water to the affluent 5 per cent of the country's population and Rs 3,500 crore to 75 per cent consisting of the country's poor?

Planned irrigation is conspicuous by its absence. A few minor irrigation projects have been erected, consisting of reservoirs of rain water. In an area where rainfall is scanty such faith seems misplaced. Ever had there been adequate rainfall, such structures would only serve small areas of adjacent land. There is no evidence that, the plan of diverting water from Koraput, that has been hung carrotlike in the last few decades, has gone beyond their containing files.

Logic would suggest that in a part of the country where the people are so heavily dependent upon agriculture, in case of longterm failure of rains and the infrastructural inability in arranging supply from elsewhere, alternative sources of living, independent of agriculture would be introduced. In Kalahandi, such endeavours, subject to complacent ridicule by the enlightened of the country, only add to the agony of the suffering people.

Roadworks, building and repairing the bandhs of those aforementioned minor irrigation projects constitute the income generating efforts of the state government. These, by their very nature, have limitations-a newly-built road needs no repair. Therefore, the work thus provided is of a very temporary nature-a few weeks a year at the most. The job entails hard labour from sunrise to sunset, and since the project is, for the most part, contracted and again sub-contracted, the daily wages can be as little as Rs 6.00 to Rs 8.00, considerably below the minimum wage rate of the state government The humanitarian aspect of a man, weak from chronic lack of food, breaking stones, under a hard tropical sun in an area notorious for the lack of water, needs critical considera-

In Thuamal Rampur, the Khadi Gramodyog, has a 'poly vastra' centre, where some destitute women spin yarn from fibre. Each hank of yarn spun, earns them 40 paise. The fastest, only one woman, makes about Rs 7.00 a day. The others make Rs 5.00. Happiness and light is not the mood that pervades the room. One girl speaks dully of the price she has to pay for the Rs 120 00 odd that she earns a mouth—a constant ache in her right shoulder and upper arm. Its severity stops the much-needed sleep from overcoming her exhausted body

A few rehabilitation projects have been recently started. Loans are being arranged for landless labourers. They are being given some land, agricultural know-how and better built cottages. These loans are to be paid back over a period of time. The percentage of population thus covered is marginal and since all are at the teething stage, what transpires, remains to be seen.

#### MENINGITIS, A BLESSING OF SORTS

Meningitis has proved to be a blessing of sorts for at least the people of the Lanjigarh block. Although as per torm, the official and unofficial casualty figures vary, the administration has rightly decided that inactivity would only jeopardise their own electoral chances. The media naturally has played a pivoial role in prompting that decision. It is pertinent to mention here that the disease struck only those weak from chronic malnutrition. As a result of the governmental realisation a few of Kalahandi's villages have had tubewells sunk out of turn. Whether or not all of them work is a different issue altogether

Meningitis has also served in somewhat familiarising the concept of hospitals. A few of the victims have met with their inevitable end at these redoubtable institutions—a fortune indeed that they should be the recipients of such stately attention. The disease was also the cause of the administration's beginning to distribute 200 gms of cooked rice and 50 gms of cooked pulses, twice a day to the endangered population. The amount of rice is equal to one serving spoon's worth. It is to be clearly understood that this is the only eatable, aside from poisonous roots and flesh, available to these recipients of mercy.

This was, and still is, the food on which they are expected to labour on road and bandh building activities. It is not hard to conclude that the quantum of food provided is vasily inadequate, even in terms of calorie-intake, for a people who have behind them a long history of inalnutration and who live the kind of life that would send most of our political representatives out of the country for post-thrombosis treatment and worse.

Subsidised rice has been made available in these areas through fair price shops. A kilo of rice cost Rs 1.80. The staple grain of the tribal happens to be millet. Even if it is agreed that beggars cannot be choosers, where are they expected to find the money to buy this rice? Relief work continues in this dithering manner. Barred from their basic entitlements, the poor of Kalahandi, are made to feel fortunate tor grudging allowances received. The instance of Panas Punji illustrates the iruth of the statement.

Panas Punji, upon desertlon by her

husband, and inability to feed her children, herself and her 16-year old sister-in-law, sold the girl to a middle-aged man for Rs 40.00. When this news, pushing home a point, filtered through to Delhi, the prime minister flew to Kalahandi, made many promises and left kindly instructions. As a result both Panas Punji and her sister-in-law were given Rs 90.00-a-month jobs. The government, struck by a sudden fit of remorse, also managed to give Panas Punji a Rs 7.00 saree and 8 kilos of grain. Nor did they neglect the people around. In the next one and a half years, almost five hundred and fifty days, they were given an extra two-and-a-half day's work each.

What all this amounts to is that even the involvement of the most powerful man in the country does not count for much more than a mere parody at providing relief. Instead of spending time and thought over intelligent planning and organised execution of the same to bring the backward population the necessary amenities, they are given alms.

Our enlightened politicians have claimed that no person in our country dies of starvation. They are correct in proclaiming this, for in actual fact, besides earth, metal and stone, there is very little that the poor of our country, including the people of Kalahandi, have not eaten or are not eating now in these troubled times. Putrid flesh of dead animals found rotting, white ants, tamarind seeds and castaway inango stones all constitute their diet. So, where people eat everything from grass to rotten flesh, it is difficult to have them die from lack of food; instead

they die of eating. Yet there are dairles in this land that throw away gallons of milk. There is rotting grain in the government stores.

Our country has the dubious honour of having the largest percentage of illiterates. Yet In our country's budget, not more than around 5 per cent is given to education, health, water supply and family welfare put together. Legislation has not created the needed pressure to improve the lot of the poor from the outside, nor has there been an adequate spread of education to create a pressure on the government from within. And if these relatively simple methods have not succeeded after these many years of independence, it is irrational to expect improvements in irrigation, land rehabilitation, industry and medical supplies, all of which involve complicated economic manoeuvres.

As an effect of the continuous administrative bungling, the tribal of Kalahandi today is no longer the same simple, trusting being that be used to be, as is evident in this song sung by the people to a group of journalists:

ournalists:

We are strangers

We and you,

Tomorrow you will go away,

To places far away,

To Delhi and to Bhubneshwar, If you build bridges for us once again,

Please make sure that this time

We can cross the river without falling

Into the waters and getting hurt. It would seem perilous to consider these areas as safe votebanks for too long a future.

# BRPC BOOKS

# INSTITUTE OF ECONOMIC GROWTH MARRIAGE AGE IN INDIA

R. P. GOYAL

Rs 160

In this book the author has brought together some of his studies completed during the last few years. While some of these studies have analysed the decanial census data on marital status; some other have used primary data obtained in a field survey.

In India, the study of age at marriage has attracted considerable attention of the demographic analysts and population policy planners. An increase in the current prevalent low marital pattern can significantly contribute to slowing down the high population growth rate in the country.

The book will be of immense use and interest to all studies of population problem in India.

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# **Ideology Out of Fashion**

Salil Sarkar

There are few signs that France will budge significantly from its European Community moorings. Occasional bitterness towards the EC is still far from articulate, and ideological disputes are out of fashion. Left-wing and right-wing can share and exchange ideas and policy prescriptions with no pangs of conscience about their initial basic references.

CANDIDATES in the coming French presidential elections have one thing in common: their failure to address the major issues relating to the country's economy. Opinion polls show that fear of unemployment rates highest among the obsessions of the ordinary Frenchperson. 5,60,000 jobs have vanished since socialist president Francois Mitterrand took office in 1981, with half that number disappearing in 1984 alone, when the socialist party-led government was still in power.

Official unemployment figures soared from 1.4 million in 1981 to 2.6 million in February this year, the last figure making up about 11 per cent of the working population. The numbers would have been even higher, had France's previously socialist then right-centre right governments not taken a host of temporary measures, such as training programmes and incentives for hiring to employers, to keep mainly the youth off the iobless register.

Most political personalities concur on the need to train up the French workforce to respond to the purported needs of a futuristic 21st century economy. All agree that the number of people undergoing higher education, currently about 1 million, should go up two-fold to meet 'the challenges of the future'. But none has suggestions on how to go about increasing the number of students or on how to handle growing unemployment between now and the end of the century.

Projections put the rise in France's working population at slightly under 1 per cent yearly until 1991, and at half that rate until the year 2000. The performance is somewhat exceptional in a demographically declining western Europe. It means new jobs have to be found rapidly for oncoming generations.

If unemployment ranks low in the utterings of France's main politicians, the west European open market, now scheduled for 1992, figures high. A genuine, unified market, it is hoped, will provide French companies with a launching pad for future exploits. Awaiting such happy outcomes, France's foreign trade performance remains submerged in deficit, mainly with regard to developed countries. Even exchanges with the third world, often in surplus, are confronted with growing insolvency and spending cuts in many developing countries. Orders for weapons, a key French export item, rose to around 5 billion US dollars in

1987, or 8 per cent over the previous year. However, the increase was due chiefly to a spurt of orders from Iraq in the last quarter of 1987, failing which France's arms exports would have pursued a decline which began several years ago.

Last year, France's foreign trade in manufactured goods including arms, till recently a money-spinning sector, went into the red, shooting up a deficit of 2.5 billion dollars. Despite falling labour costs, French competitiveness in manufactured goods remains low, particularly with regard to that of much-envied West Germany. West German industrial imports from France represent only three-fourths of the industrial goods France buys from the FRG. Foreign goods now occupy over one-thirds of France's domestic market for manufactured items. More than one-third of investment and sales in France's industrial sector is directly or indirectly due to foreign firms, chiefly in such fields as chemicals, pharmaceuticals, farm machinery, data-processing, precision instruments, and oil and gas. The United States and West Germany remain the main sources of foreign investment in France.

In the first half of the 80s, France's then socialist-led government had nationalised the major banks and industrial firms, with the initial aim of promoting giant state-supported groups capable of vying with foreign Goliaths at the international level. The right-centre ruling coalition, which captured power in early 1986, de-nationalised some of those firms, but took care to set up 'core' controlling interests to ensure that the newly privatised companies would stand up to challenges from foreign raiders

In fact, France's conservative rulers have hardly been significantly more liberal than the earlier socialist government. Between 1981 and 1985, the socialists swept aside a number of French taboos, deemed archaic. The traditional link-up between wage increases and the inflation rate was skilfully abolished, state intervention in the economy was cut to size, and left-wing efforts to glorlfy profits and the spirit of enterprise achieved no mean success. Moreover, the French were told to work more for the foreign market—and that in a country whose export figures have been already hovering at around one-fourth of its GDP for several years.

The promised fruits of such orientation are yet to appear. In the meantime, the growth rate was 21 per cent both in 1986 and 1987, bringing the yearly average increase in output for the last seven years to 15 per cent-a figure considerably lower than those registered in other major developed countries. Such a pale performance is in sharp contrast to France's earlier accomplishments. From 1960 until the late 70s, the French economy had surged ahead of almost all the developed countries, including West Germany But if the past was bright, the future promises to be bleak. Paris economist Raymond Courbis prophesies even slower growth rates for the coming years. He specifies, moreover, that the economy will be buoyed up not so much by any rise in French household consumptioneconomic austerity still keeps belts tightbut by exports and investment outlays.

Investment in France began to pick up after 1985, following encouraging steps from the then ruling socialists, but still lie way below the levels reached in the US and Japan. A portion of those resources have been channelled off into hiking productivity and replacing aging industrial equipment. While little has gone into creating jobs, a sizeable chunk of the growing profits obtained since the early 80s has gone into financial markets, notably after the socialists introduced de-regulatory measures a few years ago. According to estimates, over one-third of companies' resources are now funneled into purely financial investments, as against less than 3 per cent in the late 70s

France's economic difficulties have raised some debate, though more technical than doctrinal, over policy orientations. The French franc's stable parity with a high-value West German mark, due to the link-up under the European Monetary System (EMS), has come under strident criticism in some quarters. An over-valued franc hampers France's foreign endeavours, goes the complaini. The currency pegging, under the EMS, cuts into the country's economic sovereignty, critics say, adding that, as things stand, France can ill-afford to launch economic recovery programmes against the wishes of a domineering and muscled West Germany, which persists in applying lean tight-money policies.

For the time being, there are few signs that France will budge significantly from its European community moorings. Occasional bitterness towards the EC is still far from articulate, and ideological disputes are out of fashion. Two Paris sociologists recently coined the term 'soft ideology' to describe the dominant attitude in the country. They say that this is situated somewhere between 'liberal social-democracy' and 'social liberalism'. So much so, concurs Paris philosopher Robert Maggiori, that the latest model left-wing and right-wing can share and exchange ideas and policy prescriptions: with no pangs of conscience about their initial basic references.



# **Britannia Industries Limited**



## Highlights from the Chairman's Speech

Britannia has had another successful year of growth. Compared to the previous year, sales posted an increase of 19.4% and profits moved up by 14.2%.

The flagship Bakery Operations continue to excel. Fully integrated Soya Complex at Vidisha commerces commercial production. New products receive an encouraging response.

Adding value to india's agricultural production has emerged as a prime national priority. The organised sector Bakery industry should be allowed to grow and modernise to serve india's larger socio-economic interests. Present constraints on growth are inconsistent with country's economic priorities and aspirations.

The counter-productive price control on Bread in Delhi needs to be urgently removed.

Speech delivered by Mr. J. M. Rajan Pillai, Chairman, Britannia industries Limited at the Sixty-ninth Annual General Meeting held at Calcutta on 20th April 1988.

Ladies & Gentlemen

I extend to you all a very warm welcome at the Sixty ninth Annual General Meeting of the Company

### THE YEAR

You would have noted from the Annual Report and Accounts for the year 1986-87 that the Company has had another successful year of growth with sizeable gains in sales and profits Compared to the previous year sales have posted an increase of 19 4%, while profits have risen by 14 2% The Company continues to build on its strengths and prospects for the current year are also promising. Consistent with the Company s policy of rewarding shareholders the Directors have recommended a final dividend of 16% Together with an interim dividend of 8% declared in July 1987 the total dividend on post-bonus capital adds up to 24% On a pre-bonus basis the dividend works to 33 6%, which is 6 6% higher than the previous year

The Company has maintained its leadership in its traditional business of Bakery products. This has been possible because of an unalloyed commitment to quality and a penchant for efficiency. It is for this reason that Britannia's brand name is widely perceived as a syrionym for high quality food products.

In my speech last year 1 reported that the Company s first major diversification – the LINTAS BIN MISC 484 2418 A

fully integrated Soya Processing Complex at Vidisha was poised to commence commercial production. I am pleased to state that Vital Pure Relined Cooking Oil introduced by the Company last year in selected markets of North. East and Central Inoia has met with a yery encouraging response and is already acknowledged as a leading brand among Sova Refined Oils. Its performance also rates well against other established brands of Refined Oils in the country.

The Company has blossomed into a strong national presence over the last seven decades. Its product range has enceared itself to millions of Indian households. There is every reason for us to rejoice in this accomplishment.

For all these versatile achievements 1 am sure you will wish to join me in conveying our congratulations and appreciation to our President and Chief Executive Officer—Mil E J Grinsted and through him the Executive Directors Managers and Employees at all levels for their dedicateo team work in achieving these results

### THE ECONOMY

The year 1987 was a very trying period for the Indian economy. The monsoon rainfall was deficient in 21 out of 35 meteorological sub-divisions. Ironically, while a large part of the country was hit by a severe drought, some other parts had to face the fury of floods. Since this was preceded by three consecutive years of sub-average monsoons, inevitably there was a serious situation on the food front. The agricultural and food production are reported to have declined by about 10 per cent. Fortunately the large buffer stocks of food built up in the

earlier years averted what could have been a senous crisis. It is a matter of great satisfaction that despite such a senous shortfall in agricultural production. Indian industry has succeeded in achieving a growth rate of about 10%. This has ei abled the GNP to post a positive rate of growth unlike the earlier drought years of the economy. The Central and State Governments deserve appreciation for the swift and admirable way in which they have tackled the complex problem.

It is gratifying to note that the Government is gearing itself to realise a target of 175 million tonnes of food production by the year 1990—which is also the terminal year for the Seventh Five Year Plan. The initiative to devise an agro climatic strategy for protecting agricultural growth is a welcome step. The package of reliefs and incentives for the Farm Sector announced by the Union Finance Minister in his Budget Speech for the year 1988-89 is timely and should go a long way in boosting economic growth in the country. The economy is well poised to return to its higher growth path of five per cent and above.

The Company's product lines largely depend upon the state of agriculture in the country. During the year, the deficit in production of foodgrains and oilseeds pushed up the agricultural prices which led to a significant upsurge in our input costs. The Company has always valued-consumer interests as foremost, and as in the past, the burden of these increases transferred to consumers was the minimum possible.

I would like to draw your attention to an important aspect of India's economic growth which has a definite bearing upon the Contd

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Company's role in the Indian industry. There is a distinct and tangible increase in consumer awareness of quality. Both in rural and urban India, consumers increasingly seek better quality products to satisfy their rising aspirations. A Company like ours has to play a leading role in charting the course of market and in setting high standards in this phase of economic evolution.

### THE POLICY FRAMEWORK

The Economic Policy of any country and more so of a developing country has to be responsive to the rapidly changing business environment – both national and international. I would like to raise a few important issues in this context.

As you know the Bakery Sector continues to be on the list of products reserved for the Small Scale Industry The oftrepeated defence in support of on-going reservation is that the presence of large and medium scale units will be to the detriment of the small scale sector. This is patently illogical In the context of an economy the policies have to be decided not on the basis of sectoral considerations but essentially from a broader national point of view. Even otherwise it has been conclusively established by now that the products and the markets of the small and large sectors are different. They cater to distinct geographic and economic segments of society. As a matter of fact their roles are not competitive but supportive and synergic As I said last year the incidence of sickness in the small scale sector is not on account of presence of the large sector but because of existence of unethical and unbindled competition within the small scale sector Capacities have been created without regard to proper assessment of market and consumer requirements

With passage of time the Company is beginning to feel the restrictive and adverse effect of the policy even more. Existing large scale organised sector units like ours were set up several years ago and if they are not permitted to grow and modernise, they may soon have to battle for their economic viability.

I would like to recall two salient aspects of India's economic environment Drought notwithstanding, the country has to find productive avenues for adding value to the expanding agricultural produce Progressive value-addition in sectors like Bakery will ensure optimal utilisation of the country's precious economic resources. The second feature is an outcome of general economic growth reflected in the rapidly rising consumer aspirations, which I referred to earlier. In view of both these critical factors.

the Government policy should encourage modernisation and growth and do away with outdated and restrictive controls in order to serve larger long term interests of the country

It is also pertilent at this stage to comment on the widening gap between demand for and supply of Soyabean Wth the processing industry's installed capacity tar out-stripping the domestic production Soyabean prices have reached abnormal and uneconomic levels. The only immediate option to provide interim relief to the Soya Processing Industry is to import adequate quantity of Soyabeans. This is a far more desirable option than importing Soya oil as it will not only enable the utilisation of domestic capacity but also help earn foreign exchange through export of Soya meal Of course the real and lasting solution lies in boosting domestic Soyabean production. The Prime Minister's initiative in constituting a Technology Mission on Oilseeos is indeed most timely and the Company will lend its full support to this plan

The other prime national priority is exports. It is heartening to note that India. could log a growth rate of over 25% in exports On its part the Company has been tully conscious of its responsibility in contributing to the foreign exchange earnings. of the country. In 1986-87, the Company contributed Rs 295 million to the export receipts of the country. You will be pleased to know that the Company's role as a leading Export House has been duly recognised by 'he Government Britannia remains committed to increasing exports. The Company s export basket now includes a modest entry in the international market for Computer Software

### **BREAD-DELHI**

The Government has introduced many progressive measures for the speedy development of Indian industry. The industry in turn has been very appreciative of the high degree of responsiveness observed in the Government's decision making process. This trend had raised our hopes that we in the bakery industry too could expect a pragmat c growth oriented policy. I would like to underscore this point in relation to the unwarranted continuance of price control on Bread in Delhi While input costs of all major ingredients have usen significantly corresponding adjustments in the prices of bread are being denied. What makes the anomaly even more glaring is the fact that while all other metropolitan cities have dispensed with this artificial control, the capital city still retains it. There is ample evidence in the Indian industry that sickness

is the consequence of a situation where output price is controlled in utter disregard of input costs. The Company had sincerely hoped that the Government would dispense with this counter productive price control but had to remain disappointed through the year I can only reterate our request to the Government to urgently remove this inconsistency and decontrol Bread prices in Delhi. Otherwise one may have an unpleasant paradox of a sick Bread industry in the tast developing national capital.

### **NATIONAL WELFARE**

The Company reinant July committed to its ideology of total consumer satisfaction and national welfare. The corporate social responsibilities are fully realised and accepted. You would be pleased to know that as in past years, this year also the Company has extended liberal patronage to various activities in the fields of Art. Culture Sports. Health and Ecology. The Company has prepared a comprehensive blue print of Corporate Social Responsibility in response to the call of the Prime Minister.

These plans will receive a new momentum when the Company shifts its Corporate Office to its new complex in Bangalore from its current location in Bombay

### THE PEOPLE

The new management team led by Mr E J Grinsted has completed a year and contirmed our faith in the efficacy of the new management structure that the Company had adopted last year

Since the last Annual General Mueling we have had the privilege of adding to our Board of Directors distinguished people from India and abroad Mr P C D Nambiar former Chairman of the State Bank of India has been designated as Vice Chairman alongside Mr. R. K. Lai. The Board now also has the benefit of the advice of Mr. W. G. Dunnington Jr and Mr J E Willet senior executives of RJR Nabisco Inc. as also Mr. Vijay Amritraj – a distinguished businessman and sportsman. On your behall I welcome them to the Board. We are sure that the committed efforts of our Directors. Managers and other personnel would enable the Company to maintain its growth and leadership in tuture years

Ladies and Gentlemen I once again welcome you and thank you for your 3' acrous presence on this occasion

NOTE This does not purport to be a record of the proceedings of the Annual General Meeting

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## **PERSPECTIVES**

# Women's Studies: Case for a New Paradigm

Maithreyi Krishna Raj

The prevailing paradigm in Women's Studies is predominantly a compensatory model: women as a disadvantaged group should be given greater facilities, benefits, etc. The seeds of a change in this paradigm are becoming visible in the critiques of development models.

A paradigm is a fundamental image of the subject matter. It serves to define what should be studied, what questions should be asked, how they should be asked and what rules should be followed in interpreting the answers. It subsumes, defines, interrelates the problem situations and the rules evolved which are used as models for solving other puzzle situations and the methods and instruments of obtaining knowledge, analysis or solutions.

A paradigm can be discussed with reference to any or all of the following: (a) new purposes; (b) new orientations or perspectives; (c) new methods of inquiry; (d) new theory or theories; and (e) new strategies for resolving the problems arising out of the analysis and prescriptions.

How do we stand with respect to these in Women's Studies?

There has been focus on women since the nineteenth century. This focus dealt with the broad question of women's status in Indian society. On the other hand, Women's Studies today has declared its objectives as:

- (a) removal of women's invisibility (in social knowledge and social action);
- (b) highlighting of problems specific to women:
- (c) redressal of inequality, injustice and oppression; and
- (d) identification of the sources of powerlessness for women.

Hence Women's Studies springs from the belief that women suffer from systematic social injustice because of their sex, over and above other forms of injustice in society. If the purpose is to promote equality, justice and liberation, how does Women's Studies hope to achieve it? Presumably knowledge will lead to action.

Will it? The answer hinges on what kind of Women's Studies we develop, who is doing it and how. Methodology in the sense of not only the pedagogy used but commuted scholarship is all-important. While the initial backing for Women's Studies came from those deeply concerned about women's status, in its growth it has remained in institutions of higher learning. To some extent, though, funding agencies have supported research by those directly involved in action. Let us look at some of the objectives.

We have indeed achieved some progress in achieving visibility—this is especially true of poor women, and their role in production or their economie contribution.

The focus having shifted from the earlier total preoccupation with upper castes and middle classes, it has now begun to be recognised that the interests, problems and needs of different classes and groups of women are distinct despite a common core of gender oppression. What has neither been admitted nor analysed is that while all women may suffer from gender subordination, there can be areas of conflict between the different classes/groups of women. This conflict of interests goes unacknowledged because Women's Studies is undertaken by relatively privileged groups of women and their research on poor women may make the latter 'visible', but that vision is perforce mediated by another.

There are other problems too Does visibility ensure recognition? Does it do away with undervaluation of women? Does it reduce subordination? Let us take examples. One area where women are invisible is the work they do for society which is outside the market and the cash vexus. This may be family maintenance work (cooking, cleaning, child care, care of the sick and elderly), productive activities like fetching fuel, fodder, water (which in other economies are bought), post-harvest processing activities, animal care, kitchen garden, house repair and various forms of labour in family owned enterprises or work under a putting out system. In other words the entire range of activities related to human survival are ignored, not counted and not valued. How do we value these?

Economics as a science has no tools, no methodology because it has swept these activities outside the sphere of economics. Opportunity cost or market value imputation of market substitutes pose basic theoretical problems, unanswerable at the moment. The market value is based on given supply and demand. If all the work women did in the home, moved into the market, the parameters of supply and demand will changel

These set of problems are acute in third world countries where a major portion of economic activity is still non-monetised and theories that have evolved in industrial-commercial societies cannot accommodate features of societies that are vastly different. This is where the colonial bias comes. However, this bias operates particularly

strongly against women because while men's non-market economic activity like production on one's farm for one's own consumption is given an imputed value, that of women's work is not.

Removing invisibility is one step; it raises a problem where no problem was seen to exist earlier but it does not by itself provide the answer. Valuation of women's work and (women's contribution can only come through political action.

The problem of devaluation arises not only because much of women's work goes unacknowledged; it arises even where women's work is visible: e g, all discriminatory wages based on a prior arbitrary classification of skills as high or low. These criteria have no objective standard. It is a challenge to Women's Studies to come up with an alternative criteriaone that will incorporate indicators such as energy spent, dexterity, endurance, concentration, etc. This is true of all the oppressed, where the process of subjugation is achieved through devaluation, like intellectual work rewarded more highly than physical toil.

Removing invisibility in other areas of social life has also to be attempted through documenting women's contribution to various forms of social or public action, the creative arts and so on. Our main achievement has been to record that women were also there. These adopt the prevailing male standard of achievement. We have not yet formulated for instance how women might have evolved alternative modes of struggle or articulation of creativity. What men do is 'art', what women do is 'craft'. Climbing Everest or winning a war is courage but not sticking out the daily battle of life. Invisibility has to be corrected not only in pointing out the invisible but indicating why only certain actions are acclaimed or to put it more clearly it must uncover the process of visibility-creation, the criteria used for visibility and challenge these as limited modes. These again are political actions. We need to demand not just a temple-entry but the power to re-design the temple.

An attendant problem of invisibility is also the blases and distortions in portraying women's reality wherein truth becomes but a halftruth. Recent studies on the social reform movement, on the national movement, on Gandhi, etc, have begun to question the claim that these movements emancipated women. Feminist-scholars are uncovering the liberation content of these movements, largely initiated by men. Behind the emancipatory rhetoric lay a secure patriarchal base. To acknowledge this is not to belittle the immense potential these attempts had but only to show that these were limited by a caste, class and gender bias and therefore we need to go further.

A major achievement is the ongoing critique of development and development models. Much work has been done to show

that development has either not reached women or hit them adversely. I sense here the most promising seeds of a new paradigm. By questioning the ongoing development process, by exposing the link between patriarchy, capitalism and Imperialism, today's third world women are moving towards evolving genuine alternatives.

In the west, radical feminists attack the power men have over women; socialist feminists have been concerned with the inadequacies of Marxism as it now is, to incorporate adequately the issue of gender relations. Third world women already have a visible empirical demonstration of the linkage of capitalism, colonialism and patriarchy. Being a society of rapid change gives one a vantage point to look behind as well as look ahead; to ask questions of how patriarchy worked in precapitalist societies. This process of deconstructing patriarchy, of identifying its characteristics under different social formations is a task that is yet to begin. The tools of research needed for these are woefully inadequate. We need greater methodological precision to analyse the differential impact of both development and patriarchy as between different classes/castes of women. To give an example: housework is not a homogeneous category. Its content, intensity and characteristics vary among different classes of women.

To give another example: There is such a high value placed on fertility both culturally and through material conditions that women's reproductive role in third world countries have a heightened significance. In agrarian societies with primitive technology, high fertility is a requirement for survival. whereas in industrialised societies, the need for additional children falls while the cost of additional children goes up. Women's status in agrarian societies then hinges on their ability to produce children and male children in particular (under patriarchal values). There is therefore, an ambivalence: among women on this issue. While some feminists see high fertility as a cost in terms of maternal and infant mortality, other women may see in it a symbol of status.

### **PROBLEMS OF METHODOLOGY**

Apart from inadequate tools for research or tools for revaluing women's contributions mentioned earlier, there is a much more: fundamental dilemma for Women's Studies. in a society like ours. Women's Studies swears by participatory democratic modes of research, teaching and action. Can we employ these in a deeply hierarchical society?

Another problem is also raised by the question: who does the research. Relatively privileged women researching poor women is bad enough; we also have foreign (mainly western) women doing research on third world women sourred by a greater availability of funds for this than for research in their own countries. Not all these scholars are genuinely feminist. It is their means of survival in a highly competitive academic world. Not only is there a power relationship between these women and their Indian assistants and subjects, the parameters of research tend to be set by them for others to follow as models. The kind of questions looked at and the manner in which they are looked at influence the subject of Women's Studies. For instance, their preoccupation with purdah, and ritual-symbol systems outside the material, particularistic contexts.

Methodology as tools for study is at an elementary stage in India. Oral history, life history, case studies, etc, are just beginning to be used.

No doubt, the anecdotal content of such narratives is rich but such studies often fail to ask the right questions. Merely because we replace a survey by these new forms of data collection we do not necessarily improve the analytical significance of the problem. The instruments needed have to be sensitive, innovative and enormously perceptive. A case in point is the new fashion of appending questions on decision-making in the family or control over income. Superficial questions like 'who decides' cannot reveal the subtle processes at work. Reported decisions after all, merely reflect prior social imperatives. What is decision-making for different classes of women? For a poor woman struggling to keep body and soul together, it is a meaningless term. In a severely circumscribed life, what are the options?

We have said all this regarding the methodology of research. So far, in India, teaching in Women's Studies has begun only in a handful of universities. More than anywhere else, it is in the live human contact that teaching provides, that the true spirit of Women's Studies can be sustained, It is here that Women's Studies can become an instrument of change. But alas, here lies our greatest hurdle. Given the rigidities of our educational system which permit very little innovation, only the bravest of souls will venture to introduce a countereducation. What are the principles that have to be upheld in women's studies if it has to reflect the truths that feminism upholds? These are: absence of hierarchy, discarding rigid discipline boundaries, dissolving the artificial barriers between feeling and thought, between cold logic and the warmth and immediacy of felt experiences, exploring new ways of knowing, new ways of secing and acquiring a sense of commitment to translate convictions into action. Can these operate in our present system? The answer would lie partly in how sincerely we try.

Nor is it enough to raise awareness. Students of Women's Studies undergo serious disquiet and conflict and are unable to accept the situation as it is any longer but at the same time are distressed at the lack of solutions. We need an understanding of how to handle this distress; how and in what ways some sort of resolution can be attempted and where immediate solutions are not available to impart that sense of courage to withstand the alienating impact of such truths. Women's Studies in the classroom

must be accompanied by counselling centres within the campuses; by various forms of student-faculty ties; by generating channels. for action within the campus and neighbourhood. What most supporters of Women's Studies are afraid of is the possibility of it becoming a mere intellectual discipline, losing touch with its original motive-force. Other fears are that it may deteriorate into a purdah scholarship, its presence becoming marginalised instead of acting as a catalyst to change all disciplines and their orientations. It could become a niche in the monument without shaking the foundations.

It is in this context of retaining the action potential of Women's Studies that at every workshop, seminal and conference the issue of how precisely research and action, theory and practice can mesh is raised. In practice this could mean:

(a) that research provides the input into action

- (b) that action provides the issues for research
- (c) that researchers and activists help each othei
- (d) that the activist carries out research and vice versa.

We do have examples of all of these to some extent but there is an undercurrent of . distrust in many quarters.

Secondly, unlike in the west. Women's Studies in India has not come as a demand from the movement; it owes its growth much more to a few committed individuals, official paironage and the support of international funding agencies.

We require to think seriously on the meaning of research and action. Nor is it often realised that these two tasks require different order of skills. People who try to combine the two admit how difficult it is. By saying this I am not advocating a permanent division of labour. Research demands reflection, sustained concentration, meticulousness in assembling data, being scrupulous about one's sources and so on. It involves too, a measure of distancing from the object of study, a measure of dispassionateness. Action on the other hand cannot wait, one's responses cannot always be rehearted in advance. This is not an argument about academic neutrality. What is implied is the need for a subjective concern about the oppressed combined with a dispassionate analysis. What philosophers call 'hermeneutics' comes nearest to this. In analysing any situation one declares one's antecedents, one's interests and puts all one's cards on the table. What is analysed is set against the analyst's own personality, circumstances and beliefs. Do we not in literary criticism usually connect the author's creative product to the influences of his or her own life? We do likewise in any pursuit of knowledge, by explicating one's own stand point. "I talk like this, because I am a woman, I feel this way. . .".

In historical studies a couple of women. historians have attempted an approach that ? uses negative evidence as first propounded by D P Chattopadyaya. If we are to understand the origin and development of patriarchy in different social formations, we have to begin work along these lines.

#### THE PERSPECTIVE

Can one detect a perspective? Women's Studies people argue (indeed rather vociferously) that they are not against men, that the Indian women's movement is not confrontationist, etc What does this imply? It implies that the subordination of women in India is an unfortunate accident due to some 'social' malady only. We should therefore, redéess women's condition by bringing them up There is therefore, a shying away from looking at those things that generate inequality and oppression

This brings me to a related issue Subordi nation is an exercise of power, and patriar chy is institutionalised collective power Power in Women's Studies is conceptualised as reduction of helplessness or vulnerability (If women are beaten up, build shelter homes, inequality in education for girls is sought to be erased by reducing fees, not by addressing the problem of parental profer ence for boys' education and the sexual divi sion of labour ) Power as power to change, power as autonomy are outside our model If autonomy is given piceminence then one automatically acquires the power to redefine, the power to question Much of the em powerment today is in the torm of more elbow room

It is true that in a highly sex segregated society like India, women might have a measure of autonomy Women's concerns might be left alone precisely because they were not thought significant and they worked within a patriarchal umbrella. Thus, religious rituals may have given space to women but they were not in their own ultimate interest. Autonomy is feared for another reason. In a strongly affiliative family kin social organisation, the costs of kin obligations are offset by feelings of self esteem. The strong, self-sacrificing woman evoked respect which means self surrender is built into the structure.

All these contradictions have not been ad dressed theoretically Overall, the model is a compensatory model Women as a disadvantaged group should be given greater facilities, benefits etc. This is clearly reflected in policy prescriptions

The instruments of change in India have been legal reform programmes lot the poor, setting up lacilities like working women's hostels Protests were mounted against media and violence. These do not add up to initiating a change in the direction of development or altering fundamental social structures like the family So long as the family is the only support for women, oppression within the family is dilficult to tackle Women's groups who have tried valiantly to intervene in matters of domestic violence find that unless a woman receives wholehearted parental support in the event of a breakdown in marriage it is impossible for her to walk out of it Not only does she lack the material means to stand on her own, she is censured by society in all possible ways if she attempts to live her life as a single person The wife has very little bargaining power and the husband/in-laws can get away

with even murder, literally Deterrant laws are of little avail, when the family, community, the courts, the police are patriarchal in outlook Despite the enormous physical and psychic cost that women endure within the family we cling to the myth that the family 'supports' the woman Before we extol the virtues of the Indian family we should assess the reality in objective terms Peace and reward can often be obtained on the basis of compliance Instead of declaring that the family must not disintegrate let us first honestly examine whether it is at all integrated at present and if so in what ways Are we bolting the front door when the fami ly has in fact been invaded by lorces from all directions? Authentic research is uigently needed in this area

In sum we can say, the prevailing para

digm in Women's Studies is predominantly a compensatory model. Seeds of change are becoming visible in the critique of development models—development models that are exploitative of not only human relations including gender but exploitative of our environment The approach of conquerting nature has to be replaced by one that is in consonance with nature including ourselves who form part of nature. To give an example in the search for alternative technology what would inform the choice would not be low material cost or small scale but what minimises human cost and maximise human welfare Into such a vision, we have to in corporate more humane gender relations Based on a presentation made at the ICSSR Regional Workshop in Women's Studies, Pune, May 1987 |

### **APPOINTMENTS**

### Centre for Development Studies

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**Desirable:** Organisational leadership to manage a large computer set up and interest in developing computer aided sectoral and economy wide planning models

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Applications in the prescribed form, available on request, should reach the Director not later than June 6, 1988. Applicants should enclose one copy each of published or unpublished work which they would like to/be considered in support of their candidacy. The names and addresses of two scholars who are familiar with the research/teaching work of the candidate should also be given in the application. Candidates from abroad may send their bio data indicating the post for which they are applying.

DIRECTOR

In Search of Our Past A Review of the Limitations and Possibilities of the Historiography of Women in Early India

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On the Construction of Gender Hindu Girls in Patrilineal India Leela Dube

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U Vindhya Sudhakar
V Kalpana Rao

The *Virangana* in North Indian History Myth and Popular Culture Kathryn Hansen

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# In Search of Our Past

# A Review of the Limitations and Possibilities of the Historiography of Women in Early India

Uma Chakravarti Kumkum Roy

Women, like other subordinate groups in society are among the muted or even silent voices of history. They have been excluded both as actors and as authors from featuring in history as they should and remain one of its most neglected subjects. The exercise of rewriting the past has been confined to invisibilising women, their presence has only been negatively registered, mainly through a vast silence.

However, it is necessary to draw attention to the fact that while in general women have been invisible in historical writing this invisibility varies vastly over time and space according to differences in social and cultural practices. The Indian situation represents an example of the relative visibility of women in historical writing particularly with regard to 'ancient' India wherein historians created a certain space for women in the reconstruction of the past, but the space conceded to them existed only within clearly defined parameters as this review will show

In this paper we undertake, first, a broadly representative rather than comprehensive historiographical survey of studies on women in early India. The survey does not concentrate on factual details, important though these may be, but on the preconceived notions or assumptions which may have determined the kinds of facts considered historically relevant. Second, attention is paid to the kinds of explanations offered for changes in women's status. And finally we examine possible alternatives.

1

WOMEN in ancient India have been the focus of scholarly attention since the 19th century Both Indian and western scholars unactook to study the position of women in early India although from different perspectives Such scholars as often In dologists or Sanskritists as historiaus, con tributed significantly especially misofar as unearthing information about women in early India was concerned. Hence works of pre independence authors such as Upadhya (1933), Altckar (1938 1959) Bader (1867) Meyer (1952) and Horner (1930) ilthough lacking in analytical rigour remain useful at least for the wealth of detail they incorporate

Further, these works are in many ways crucial, as they have directly and indirectly served to provide a paradigin for post independence studies as well. The influence of Altekar in particular may be recognised both explicitly and implicitly in later works Hence we will examine the works of these and other scholars which may be regarded as representative of certain trends rather than attempt 10 provide a detailed survey of the entire list of works available at present We will also attempt a general assessment of the problems involved in the writing of the history of women in early India as well as an examination of possible alternative ap proaches While the limitations of a wide ranging survey are obvious, the present endeavour will nave served its purpose if it provokes discussion and debate on an issue which has often been distorted or neglected

To start with the western scholars, some of whose works are amongst the earliest (for example, Bader 1867 and Horner 1930),

there is in the first place, an almost unquestioning dependence on textual sources. The fact that women the subject of the studies, naid very little to do with the composition of such texts with the notable exception of the *Therigatha* and the problems this might pose in terms of an understanding of women's situations are unfortunately nowhere recognised. Thus, while Meyer is aware of the rarna bits of his sources (1952–151–169) and its possible implications he does not even seem to be aware of the existence of an inbuilt gender bias in the same

That the nature of the sources used could significantly influence the kinds of conclusions arrived at is evident from Horner's work (1930) entitled Women in Primitive Buddhism, based primarily on Buddhist Pali literature. The shift is evident in the very scheme of chapterisation. Thus, while most works on women in early India deal with the categories of daughters, wives, mothers and widows, Hoiner introduces a new category of women workers. This is possibly the first attempt to analyse the role of women out side the kinship network-shaking off the doinestic aspect of women and attempting to see her as an independent entity in the context of wider society Despite this conceptual advance, Horner's sketch of the woman worker is superficial, since it con tains only a few instances of labouring women, the rest of the section being a des cription of various courtesans. However, she compensates in her section on the women in the sangha, where she outlines the efforts ol women to pursue non familial goals. This analysis of the importance of asceticism for women is in marked contrast to Altekar's assessment of the ascenc ideal, to be dis cussed later

Apart from the problems inherent in aff uncritical use of the sources a certain tendency to romanticise the early Indian situation is evident in these works. This is perhaps most apparent in Bader's study. Thus she exclaims (1867–48) "the wife! the wife in ancient India! With what a shining aureole is she crowned there!" Such an idealisation, possibly explicable in terms of disillusionment with a western civilisation in the throes of industrialisation is however not conducive to a realistic assessment of the early Indian situation.

In a similar vein she eulogises the women of the Vedic age (1867-29). Unfettered in their movements, they listened to the discourses of men, though decorum did not permit of their answering directly", without even pausing to consider whether 'decorum' thus defined was not acting as a fetter

Problems are also posed by certain racist and sexist assumptions. Thus Bader (1867 23) talks of the white Aryan family which encounters an indigenous 'yellow' race "un cultivated in their customs, rude in their tastes and having no idea of a deity" while 'Woman' (with a capital W) is for Meyer (1952 3) "that great bundle of contradictions". This statement is used by him to explain the contradictory utterances about women in the epies, although elsewhere he postulates an explanation in terms of the tensions inherent in a patriarchal system which however he is reluctant to develop as an argument (1952 208)

A further drawback of these works is the superficial explanation they offer for change when they recognise it. Thus according to Bader (1867–331) the decline in women's status from the glorious Vedicage has to be linked to the growing popularity of the

Krishna cult which included a certain grossness in the religion of the Hindus. More significant in the long run is the tendency to explain the preference for sons over daughters in terms of the requirement of a son for the funeral rites (Bader 1867: 28, Meyer 1952: 46). This assumes an autonomous development of the ritual which then influences the kinship structure. This simplistic connection is one that is repeated time and again in later works, thus taking for granted much that needs in fact to be explained.

Before turning to the works of Indian authors in the pre-independence period, we will briefly examine why they undertook studies of the status of women at all, and why they remained confined essentially to ancient India. The setting for the interest in the status of women may be found in the reaction of the indigenous elite to their perception of their own society in the context of colonialism. As part of this reaction, the socio-religious reform inovements of the 19th century advocated a reform of Hindu society whose twin evils were seen as the existence of the caste system and the low status of women. The perceived indications of the low status of women, institutions such as suti, lemale infanticide, child marriage and enforced widowhood, were attacked by virtually all the major reformers of the 19th century, whether they belonged to the Brahmo Santaj in Bengal, the Prarthana Samaj in Maharashtra, or the Arya Samaj in north India. The preoccupation with these questions in particular was derived at least partly from the dominance of Sanskritic models, since the major thrust in the debate came from within the upper sections of the Hindu community, which was responding to the challenge posed by western notions of liberalism. The influence of Sanskritic models is evident from the fact that both the proponents and the opponents of reform attempted to justify their positions by invoking the sanction of the Shastras. The deciding factor in the debate was the relative antiquity of the sources utilised, the underlying assumption being that the older the source, the more authoritative and authentic it was.

Amongst the works under consideration, this preoccupation with the earliest literary sources is reflected in B S Upadhya's concentration on women in the Vedic age (1933) as well as in the importance Altekar (1959) assigns to the Vedic phase, and his characterisation of it as the pinnacle from which a gradual decline is noticeable.

The attempt to focus on the earliest texts available was also, to a considerable extent, related to the ideals associated with the national movement, which influenced history writing in a number of other areas as well. The search for origins and for an ideal situation was both a means of instilling national and occasionally communal pride, as well as a reflection of it. Apart from providing the context within which historians worked,

the perceived requirements of an emerging nation were also one of the explicit areas of concern for them. Thus, both Upadhya and Altekar conclude their works with specific prescriptions for the future in areas such as legal and educational reform. In this, the objectives of these writers were markedly different from those of their western counterparts.<sup>2</sup>

The concerns noted above determined to a great extent the focus of such works which were preoccupied with legal and religious questions such as the right to remarriage, the existence of the practice of niyoga, the right to property, the origin and development of the institution of stridhana, the right of the childless widow to adopt and so on. On the religious front, there is a near obsession with the right to sacrifice, either on one's own, or with the husband, as well as with the possible interest and involvement with the pursuit of religious goals. The social position of women is usually visualised in terms of their inclusion or exclusion from public assemblies and their right to education. On the whole, the perspective on women was confined to seeing them within the context of the family. Such a definition of the criteria relevant for assessing women's lives had certain obvious limitations, as not all aspects of women's lives were regarded as worthy of attention. Further, a bias in favour of the areas of interest to the brahmanical male authors was almost in-built into such works, given the nature of the sources commonly used.

This interest in certain specific criteria, defined in terms of concerns of the 19th and 20th centuries, also often resulted in a rather unhistorieal attitude in some cases, as the emergence and development of individual traits are traced over tinte, instead of viewng such features within a total conext. Altekar to some extent attempts to remedy this situation through the use of what he describes as the "houzontal inethod" (1959: 335), but this suffers from the limitation of becoming a source-based survey, heginning with the Rig Veda and ending with the later Smritis, commentaries and digests. Thus, a contextual analysis of the data is virtually missing.

Perhaps one of the major problems faced by these authors was that they were compelled, unlike their western counterparts, to postulate a certain amount of historical change in the status of women. Thus, if the Vedic age was the golden age, then this had to be justified in terms of the indices of status noted earlier, and changes had to be located in time and space. Further, and more significantly, such change had to be explained. This was useful insofar as a certain historical perspective was regarded as essential. However, in many cases, the underlying assumptions of these historians as well as the explanations they offer for change suffer from serious limitations. Despite these limitations, these works have proved influential in shaping popular perceptions of the problem. Given this popularity, a critical examination of such studies seems particularly necessary. Hence we will examine the work of Altekar in particular in detail.

Altekar's (1959) study on the Position of Women in Hindu Civilisation is a comprehensive review of the position of women in India based almost exclusively on brahmanical sources from the earliest times down to the mid-fifties of this century when the Hindu Code Bill was under consideration. However, his overwhelming concern is with women in the tamily, more specifically on women in upper caste families and the undercurrent through much of his work appears to be that the status of women needs to be raised mainly in order to ensure the healthy development of the future race of India.

Altekar's preoccupation with the propagation of the race often assumes fascist overtones. Thus on the subject of the antiquity of satt as a custom, Altekar (1959: 342) puts lorward the view that the custom was prehistoric and that it subsided during the Vedic period. He says: "The exigencies of the political situation in the Vedic period were responsible for the abolition of the prehistoric sati custom and the sanctioning of niyoga and remarriage." For Altekar even a comparison with Hitler and Mussolini seems perfectly in order and he goes on to suggest that like Hitler and Mussolm the Vedic chiefs were anxious for "heioes, more heroes and still more heroes. The gospel they preached to the householder was not that of eight sons of the later days but of ten. The non-Aryans were probably outnumbering the Aryans and they were anxious to have as strong and numerous an army as possible. Under these circumstances it would have been suicidal policy to encourage the revival of the obsolete custom of sati or to prohibit widow remarriages. Society came to the conclusion that its vital interests demanded that the custom of satt should be interdicted and that widows should be allowed to marry and multiply the stock" (ibid: 342).

Apart from Altekar's underlying assumption that women were ideally baby-producing machines he often resterates existing male stereotypes about women as for example when he says that women were "naturally more conservative" (ibid: 158, 297) "even in matters that affect their own welfate" (ibid: 158). Further they are supposed to be by nature "more religious and devotional than men" (ihid: 206). It is also evident that to some extent women are, for him, ornamental show pieces whose dress and finery are perceived merely in terms of giving an idea of the wealth of the community and enabling "us to obtain a glimpse of its progress in trade, mining and metalluigy, and skill in inlaying, tailoring and embroidery" (ibid: 1-2).

These inherently sexist assumptions were compounded with racist ones as well. Thus he attempts to explain the relative decline in the status of women from the Vedic (when

everything was tickety-boo) to the post-Vedic period in terms of the unions between Aryan men and non-Aryan women, According to him (ibid: 345-346) "The introduction of the non-Aryan wife into the Aryan household is the key to the general deterioration of the position of women that began imperceptibly about 1000 BC and became quite marked in about 500 years. The non-Aryan wife with her ignorance of Sanskrit language and Hindu (sic) religion could not obviously enjoy the same religious privileges as the Aryan consoit Association with her must have tended to affect the purity of the Aryan cowife as well." Ultimately, and due to the non-Aryan wife, all women, Aryan and non-Aryan lost their religious privileges. One is left wondering why, using the same logic, Aryan men who associated with such non-Aryan women, were not deprived of their religious privileges.

Such intderlying assumptions, combined with the links with the national inovement noted earlier, are reflected in similar explanations of dibious value. A procedure frequently adopted is to justify, implicitly il not explicitly, the existence of a number of institutions in terms of parallels drawn from other western or eastern cultures. This is evident fram the discussion of child marriage (ibid: 64), divoice, (ibid. 83, 108), the theory and practice of the wife's subordination (ibid: 93, 331), the husband's right to beat his wife (ibid: 108), sati (ibid: 116), levirate (ibid: 143), the seclusion of women (ibid: 177), the association of dancing girls with tentples (tbid. 184), the participation of or lack of it in public life (ibid: 191), exclusion from religious rights (ibid: 194), the nonrecognition of the importance of housework (ibid: 233), the lack of recognition of proprietary rights (ibid: 212), the double standard in sexual norms (ibid: 312), and the tendency to attribute "all real and imaginary faults to women alone" (ibid: 325). While focusing on such parallels may have served a certain purpose in convincing Indian men that they were not alone in indulging in certain practices which were regarded as repulsive from the 19th or 20th century liberal stand-point, it had certain limitations as an explanatory device, as each of these features was wrenched out of the historical context, which alone could have lent it nicaning

The explanation Allekar offers for the relative dislike of daughters as compared to sons also suffers from severe limitations and would have had the effect of reinforcing existing stereotypes about women. Thus he says: (ibid: 3 ff) "In ancient times in all patriarchal societies the birth of a girl was generally an unwelcome event. Almost everywhere the son was valued more than the daughter. He was a permanent economic asset of the family... He perpetuated the name of his father's family. As he grew into adolescence and youth he could offer valuable co-operation to his family when it had either to defend itself or to attack an

enemy. The daughter on the other hand had no fighting value whatever." Altekar hastily adds however that "it is no doubt true that women have potential military value: by giving birth to sons they contribute indirectly to the fighting strength and efficiency of their community. (But) primitive man found the woman a handicap rather than a help in actual fighting. He therefore hardly ever welcomed the birth of a daughter." Thus in justifying primitive man especially in India a patrilineal, patriarchal, militaristic society is taken for granted for no discernible reason. This is in many ways an extension and elaboration of the argument that the reason why women were assigned a low status was that they could not perform the funeral rites for their fathers.

Elsewhere the explanation offered becomes even more specious as when Altekar suggests (ibid: 5-6) that the reluctance displayed at the birth of a daughter had its toots in the 'trauma' c f parents who would have to see the misery of their daughters who might be faced with widowhood. It is also possible that the poignant pain felt by the parents at the time of the first separation from their daughter after her marriage may be partly responsible for the general dislike for the daughter. Of course, the possibility that the miseries of a daughter who had to endure separation from her natal lamily, or possible widowhood, may have been augmented by parental dislike, is not even considered.

One of the major problems with Altekar's study is that he makes very little connection between the status of women and the social formation in which they are placed. Thus he characterises (ibid: 339) the position of women in the Vedic age as being "fairly satisfactory", particularly because they occupied a prominent place in social and religious occasions, where in his opinion they had absolute equality with men. However, he concedes that their main disability during this age was that they could not hold or inherit property. His explanation for this takes into account, in some measure, the lack of a clearly developed system of proprietary rights in this period, but his explanation (ibid: 339) for women's exclusion from them shows no analytical rigour. He says: "The transition from the communal to the family ownership of land was just taking place; the conception of the rights of the different members was yet to crystallise. Naturally therefore women, like many other male members of the family were incapable of owning property; the patriarch was its sole owner and guardian." This analysis is not carried through in his more decisive explanation for women's exclusion from landed property when he says "Landed property could be owned only by one who had the power to defend it against actual or potential rivals or enemies. Women were obviously unable to do this and so could hold no property."

The lack of conceptual rigour in analysing a given society of which women were a

part is also evident in Altekar's attempt to account for the absence of queens in the Vedic age, which was an unnecessar; exercise, given the fact that specialised political institutions were barely developing during the period under consideration.

Only in one area does Altekar connect the status of women with the economic context in which they were placed, and this was in discussing their contribution to production. In analysing the high position of women during the Vedic period (ibid: 342) he stated that it was because they took an active part in agriculture and the manufacture of cloth, bows and arrows, and other war materials. He also suggests that the Aryan conquest of the indigenous population and its incorporation in the social structure of the victors as the sudra varna had given rise to a huge population of semi-servile status. In such a situation women ceased to be productive members of society and as they becante parasites (sie) they lost the esteem of society. The distinction between participation as producers and participation in terms of controlling production is, however, not made, with the result that the explanation offered remains superficial.

One of the explanatory devices frequently invoked by Altekar is the ascetic ideal. This is associated with a number of ills affecting women. Thus it serves to explain the lowering of the age of marriage, which according to Altekar (ibid: 32) was a reaction to 'maidens' joining the Buddhist and Jain orders and not living up to the 'ideal'. Moreover, the introduction of sati is also attributed in part to the same ideal (ibid: 125) as is the fact that widow remarriage was opposed in later texts (ibid; 110). As noted earlier, asceticism, especially of the kind associated with the nunneries of the heterodox sects, offered women an alternative outside the restrictions of the kinship structure and an opportunity for self-expression. Hence to view it as the source of all evils is not only unhistorical but smacks of Hindu defensiveness in relation to other sects and traditions. It is pertinent also that Altekar fails to explain why asceticism had no impact on the Hindu widower. However, despite its inadequacies as an explanation, the ascetic ideal and its impact are frequently referred to in almost parallel terms in later literature as well.

In summing up Altekar's work on the position of women in Hindu civilisation what emerges from the mass of detail that he has enumerated is the absence of analytical rigour required of a historian: what we are left with is a picture of the idyllic condition of the Aryans in the Vedic age, and within that of the utterly respectable status of women. It is a picture which now pervades the collective minds of people of the upper castes in India. Further, it has set the tone for almost all the works on women that followed it for decades. Thus, Altekar's influence has almost crippled the emergence of a more analytically rigorous study of women in ancient India.

The influence of nationalist historians manifests itself in the works of post-independence scholars at a number of levels. To start with, the notion that the Vedic age was a golden age is reiterated time and again and is rarely, if at all challenged. For example, Indra (1955: no page number) states that his thesis throughout has been that "in the early Aryan society represented by Vedic literature, women enjoyed a much better position. social, religious, political, than they did in the later ages of the *Dharmasastras*". Thus, alternative possibilities remain unexplored, once the direction of change in women's status is taken for granted.

Assumptions about the immutable nature of women also persist, with some variations. Thus Chaudhuri (1956: 29) states that "women, owing to their conservative nature, always stick to things of time immemorial". while others such as Das (1962: 40) support Manu with evidence from Freud to argue that women lack the ability of 'true' appreciation and 'balance' of mind and do not possess much depth of icason. The stereotype is only occasionally challenged, as for example by Jayal (1966: 253) who suggests that "many of the traits associated with women were... not simply based on biological facts or organic defects .. but may have been later developed due to the cultural pattern of society which denied all intellectual, educational, religious and property rights to women".

Racist assumptions likewise, surface occasionally. Jayal (1966: 298) for instance echoes Altekar's views on the responsibility of the non-Aryan wife for the general decline in the ritual status of women in the post-Vedic phase, while Indra (1955: 50) suggests that the "admixture of races" was one of the causes leading to child marriage.

At a different level, a tendency to confine discussion to issues defined as important in the pre-independence phase is clearly evident. Thus, possibly the most recent work, Gulati's (1985) study of Women and Society in the 11th and 12th centuries in north India, deals with family relationship and the status of women, rituals and samskaras, the status of the widow, legal status of women, and the status of women in social institutions. Related to this is a tendency to marginalise the role of women in production. Even where the possibility of a role is recognised, it tends to be trivialised in the course of discussion. Thus Indra (1955: 151) refers briefly to women in agriculture and weaving, but tries to explain away the participation of women in the latter activity, dismissing cloth making as "indeed a healthy occupation which necessitated no great intellectual skill or no heavy physical exertion".

Perhaps the only recognition of a category of women outside the socio-legal framework thus defined is Moti Chandra's study of the World of Courtesans (1973). However, this

study rarely moves beyond listing references to courtesans or prostitutes culled from different texts and organised in terms of sources. Thus the institution is not related to the wider social context; its integration into the patriarchal system and the kind of 'hematic treatment which would have resulted in a meaningful analysis remains undeveloped.

At times the analysis offered, such as it is, appears communal, as when he suggests that "the institution of the courtesan degenerated during the medieval period, as courtesans cared more for money than for arts, and the low characters visiting them were reduced to mere pimps and abject flatterers" (1973: vi) implying that men who visited prostitutes during the early period were invariably 'noble'.

The unity in underlying assumptions and concerns of most post-independence scholarship is reflected in the continued reliance on virtually fixed patterns of explanation. Thus the low status of women continues to be explained in terms of the spiritual and material requirements of the patrilineal family. Chaudhum, for instance, after eloquent, if slightly misplaced, picas for the revival of Vedic rituals for women, concludes "Sons as members of the family contributed to its welfare or suffered the same fate as the family might be driven to Daughters had not to bother about the parents' family after the fullfledged development of the joint family system. So the daughter was considered a lesser necessity" (1956: 60).4 Such explanations persist even in more recent works as for example in Gulati's (1985: 22-23) analysis of the reasons for preferring sons, which reiterates the requirements of Vedic warfare, the patrilineal system of inheritance, the requirements of the shruddha and the fact that sons could look after their parents during their old age.

The possible impact of the ascetic ideal is also occasionally reiterated (e g, Jayal 1966: 227, Gulati 1985: 3) as is the tendency to justify Indian practices in terms of parallels in or comparisons with other cultures by Chaudhun (1956: 135) and Indra (1955: 172) respectively.

The latter declares that "taking into view the contemporary conditions of other ountries in this respect, ancient India had no reason to be less satisfied with the legal status which she allotted to her women". Das (1962: 209) also takes pride in the fact that in "early times the proprietary rights of women were hardly recognised in any civilisation. They themselves were an item of the movable property of the patriarch. But it was not so in India", a statement which would be contested in any case.

This tendency to justify early Indian practices and precepts is sometimes pursued to absurd lengths in some of the works under consideration. Perhaps the most striking example of this is Das (1962) whose work on Women in Manu and the Seven Commen-

tators seems to be devoted to justifying virtually all the recommendations of the text. His justification of Manu's prohibition of widow remarriage while permitting it for the widower, is revealing. We are told that those who consider this unfair or unjust to women "fail to understand the spirit of this rule in the context of giving religious benefits to the family of the man. The widow could not give such benefits if she had been permitted to remairy, but the male person could do so by marrying a second time" (ibid: 175), Further, it was "conducive to the safety and wellbeing of the husband. For if a woman knows that her husband alone is her sole support. protector and saviour, she would strain all her nerves to keep him peaceful and free from worries. On the other hand if she felt that she could lead a happy life with another man, she might well afford to be a bit different to him and in some cases might even try to harm him positively" (ibid: 228).

Das's work abounds in such statements. Another classic example justifying the restrictions imposed on menstruating women runs as follows: (ibid: 190) "Apart from the question of filth and dirt, the rule is based upon very sound physiological principles. During the periods, the anatomic condition of the woman is in a state of great turmoil... There will be no pleasure also to either party, and the man himself is likely to catch some disease. Moreover, the very object of the act which is to produce a male child will be defeated for conception is quite impossible as long as the flow is going on." Das, however, is not alone in this tendency to provide justifications. Talim, for instance (1972: 16) argues that the Buddha was justified in his reluctance to confer the right of renunciation on women as "perhaps he also knew that sanyasa dharma would never be in harmony with womanhood". Further on, in discussing the provisions which serve to subordinate the order of nuns to that of monks, she concludes (ibid: 52) "There appears no motive to degrade woman by way of introducing these extra 84 rules as critics

Despite these limitations, post-independence scholars show a certain awareness of the need to view 'the woman question' within a wider perspect've. Thus Thomas (1964: vi) deliberately attempts to bring 'non-Aryan' women within the picture and collates useful information on types of marriage and variations in the kinship structure evident in different parts of the country. This, to an extent serves as a corrective to the monolithic 'Aryan' model which tends to dominate most of the discussion.

Other scholars such as Jayal (1966: v1) recognise the need to interpret data in terms of a sociological or anthropological approach. Such an attempt is also evident in Mukherjee's endeavour (1978: 1) to study the status of women within a given social context and in Gulati's discussion on types of families which she correlates with different

economic activities (1985: 12). Gulati also recognises the need to study the position of women within a given socio-economic context (1985: 1). However, in effect, the attempt to integrate the two often proves problematic, as is evident from the explanations Gulati proposes for sati (ibid: 99ff). These include the rigidity of the caste system (ibid-74), the ban on niyoga (ibid: 103), a possible excess of women over men (ibid: 110-11), polygamy practised by members of the upper strata (ibid: 112), the break up of the joint family resulting in a situation where there would be nobody to look after women (ibid: 114), the attacks of the invaders (ibid: 121), the inability of widows to produce legitimate children (ibid: 122), the threat posed to the morals of the group (ibid: 123), the fact that the brahmana women could inherit property (abid: 134), as well as that the waves of merchants were faced with economic uncertainties. As will be evident, many of these explanations simply resterate the preoccupations of a patrilineal society Further, the link between satt and property rights for women tends to be viewed as a circular relationship Thus, it is stated that the smritikarus gave women limited rights to property as a means of preventing satt (ibid: 178), but at the same time society encouraged women to commit satt owing to the fact that they had this new right to own property (ibid: 172)

Gulati's (1985' 3) explanation for the deterioration of women's position in society also reflects an attempt to integrate rather diverse concepts. These include "The sanction of brahmanical austerities" foreign invasions of India the discontinuance of the upanayana for guls, lack of educational facilities for women, and the role of the caste system, joint family system, feudalism and other such social institutions". However none of these causal explanations is worked into a coherent argument nor is the relationship between these diverse criteria assessed

It will thus be evident that despite a certain tacit recognition of the inadequacies of some of the earlier studies, no radical breakthrough is discernible in post-independence works which concern themselves exclusively with women in early India. I his seems to be iemarkable in view of the fact that socio economic history in general, of which women's history should have ideally formed an integral and crucial part, has made considerable progress in the past few decades, and one would have expected these developments to be reflected in the studies on women. If this has not followed, however, the reasons need to be explored.

The subsequent discussion is based on the pioneering works of Kosambi, (1962, 1975, 1977), Thapar (1978) and R S Sharma's recent contributions (1983). While it is obvious that the works selected are limited in number, they are significant in that they attempt to deal with a range of issues regarded as crucial to an understanding of early Indian social and economic history. Kosambi, one of the acknowledged pioneers in the

field, is specifically oriented towards an understanding of history which moves beyond the confines of traditional political history. His commitment is obvious in his statement that "to maintain that history has always been made by such backward, ignorant common people and that they and not the high priest, the glittering aristocrat, warlord, financier or demagogue must shape it better in the future, seems presumptuous formalism. Nevertheless it is true' (1975: xii). One would have thought that such an approach would result in a serious and systematic consideration of women as a category. which has by and large been excluded from the realms of power, but such an expectation is sadly belied. To start with, the index under "w" lists waterworks, wheat and Wheeler, but not women, possibly a classic example of the invisibility of women. Nevertheless, Kosambi does, in the same work briefly mention the sexual division of labour and its implications (ibid: 22). Further, both his major works (1975-1977) contain a number of illuminating incidental references to women. Kosambi is possibly at his most stimulating when analysing mother goddess cults and their significance (1962) but one would probably not be mistaken in suggesting that by and large, women remain peripheral to his main concerns. They are rarely, if at all, considered as a social category and are in no sense crucial to his analysis. Similarly, Thapar's perceptive analyses of Ancient Indian Social History (1978), which break new ground in discussing and utilising the concept of lineage, do not incorporate an analysis of gender. This is somewhat ironical, given the overwhelming importance attached to studying women within the kinship network evident in studies which pertain to women in early India.

While the limitations noted above remain by and large true for almost all works on social history, R S Sharma's studies (1983) have been somewhat exceptional in providing systematic information and analyses on a number of crucial linkages which are commonly overlooked. Thus his discussion on traces of promiscuity in early literature, on the equation of women with property. and with sudras, focus attention on significant connections. His analysis of the varna, economic and kinship dimensions of the eight types of marriage is also valuable. However, when it comes to an analysis of the material culture and social formations in general, women are once again relegated to the background.

A survey of the proceedings of the Indian History Congress also tends to corroborate the view that women's history has been considered to be of marginal significance within the framework of socio-economic history. This survey is based on the published proceedings of the last ten years (1975-34). The choice of the time-span is deliberate, as 1975 marked the beginning of what developed into the International Women's Decade, which has been a phase during which

women's issues in general and women's studies in particular have emerged as major foci of attention at a number of levels, However, this concern is barely reflected in the Indian History Congress. For example, presidential addresses for 1976, 1979, 1980, 1983, 1984 ignore women altogether. Others, however, raise certain interesting problems: thus R S Sharma, in his presidential address (1975) raises the question of the nature of the connections between changing family laws and land-ownership, Jaiswal (1977) attempts to link the gender with the varna hierarchy, while M G S Narayanan (1978) suggests an investigation into "various aspects of the feudal social formations including temple property, brahmanical supremacy, caste rigidity, sex-dominated sculptural art forms and Devadası Bhakti literature". However, as in other studies on social history, such issues are not pursued beyond a passing mention.

In some instances moreover preconceived notions of the social ideal prevent an adequate discussion. Thus B N Mukherji (1981) refers to a situation in the Kushana empire where "women adoin themselves with goodly garments of men and with many ornaments of gold and pearls, and their female and male servants minister to them more than to their husbands, and they ride horses caparisoned with gold and precious stones; and there women do not observe chastity, but have connection with their slaves and with strangers who may have come to their country and their husbands do not blame them and they have no fear, for the Kushanas regard their wives as mistresses". The historian wonders whether "moral bankruptcy infected the rich society throughout the empire". It is not clear whether Mukherji finds role reversal or role differentiation morally bankrupt, but one suspects it is the former. In the process of passing moral judgment the historian loses sight of an interesting deviation from the ideal of a gender stratified society.

Turning to the papers presented in the ancient Indian history section, one finds two or three papers specifically devoted to women every year, obviously a small number of the total number presented. Despite quantitative limitations, some of the contributions have been significant. Thus Jaiswal (1981) in her paper entitled Women in Early India: Problems and Perspectives discusses the possible connections between women's status and their involvement in production within the framework of what she perceives as an emerging class divided society, and postulates links between the kinship structure and the mode of production. While the need for working out and testing such formulations remains, the suggestions certainly open up new possibilities.

Most of the other papers are useful as they collate information not generally known or available. What is possibly more significant is that most of these studies relate to women outside the socio-legal framework

which dominates traditional studies, and in this sense represents a much-needed widening of horizons

It would thus be evident that apart from a few exceptions, women's history has been viewed as an area of marginal concern even by serious social historians. It seems likely that this neglect to some extent explains the near stagnant situation as far as studies on the position of women in early India are concerned. The question of why socioeconomic historians have overlooked the need to undertake studies on the history of women is in itself an issue of considerable importance. While some possible answers are implicit in the subsequent discussion, dealing with it adequately is beyond our scope at present.

The combined impact of the limited perspective of what we may categorise as specialist works (concerned exclusively with the study of women in early India) and the neglect of women or gender as an analytical category by social historians has had serious implications It has meant that certain ill founded notions about individual women and about women as a group have not only gone unchallenged, but have often been reinforced through constant resteration. This is evident in a number of spheres. For purposes of illustration, however, we focus on answer scripts of students in Delhi University, who, when faced with a question on the main features of Rig Vedic society, produced answers which clearly reflected the formulations based on specialist works

In the first place, most of the answers refer to the presence or absence of satt and pur dah, the position of women within the fami ly and their ability to participate in rituals, all typically specialist concerns Very often, an understanding of such institutions reflects a communal bias, evident in statements such as the following "Lvils like sati and purdah and early marriage belong to later times when the Muslims came" A typical exam ple runs "Rig Vedic society was a patriarchal society The male elder in the family was recognised as the head of the family The position of women in Rig Vedic society was fairly good They participated in ceremontes and also attended the gathering of people in the samiti We even hear of certain hymns being composed by women in Rig Veda Purdah and sati systems had not yet arrived A widow could cohabit with her brother-inlaw till the birth of a son The people prayed for praja, the birth of boys and girls, but they prayed especially for the birth of sons so that they could participate in the wars"

The notion of the Vedic age as the ideal is also evident "The social life of the Aryans was simple, sacred and smooth (sic) They lived in the villages and lived the life of purity and chastity Aryans had healthy social life based on the patriarchal system" (italics ours)

Finally contradictory statements are made with ease "The women in the Rig Vedic age were under the care of the father, then under

the care of the husbands or sons and they enjoyed full freedom" Or, "The position of women was not equal to men but they were given the full respect that was due to them" Examples of such statements can be multiplied nauseum but what is important is that while the above may be dismissed as the naive opinions of students, we feel that the basis for such formulations is the absence of rigorous historical work on women in ear ly India and the continuing impact of the Altekarian brand of women's history Unless new work is undertaken, it is likely that such half-baked formulations will continue to hold their sway

Turning to the treatment of individual women, the most striking examples of distortions occur in situations where women wield power from which they are conven tionally excluded. This is possibly because this is viewed as a potentially dangerous or threatening situation. While some examples of this perception are available in early India such as the treatments of Didda in Kalhana's Rajatarangini6 the most well documented example is that of Razia, the early medieval sultan. She is one of the extremely rate examples of a woman who succeeded to the throne and wielded power 'legitimately' However, Razia has yet to receive her duc place in history According to Minhai us Siraj in the Tabaqat i Nasiri, "Sultan Razia was a great monarch. She was wise, just and generous, a benefactor to her kingdom, a dispenser of justice, the protector of her sub jects and the leader of her armies She was endowed with all the qualities befitting a king but she was not born of the right sex, and so in the estimation of men, all these virtues were worthless?

The apparent futility of Razia's qualities seems to have been conceded by modern historian by default, thus leaving a historical vacuum for film makers like Kamal Amrohi to fill In a society where the oral tradition is strong, it is easy to create a inyth, and that is what the film has succeeded in doing While the historical Razia has yet to find her place, the mythical Razia, her polar opposite in every sense, has found an audience of many lakhs of people The real Razia fought tooth and nail to keep herself in power, the mythical Razia proclaims in a I aila like fashion that the 'emperor's garb' is a 'shroud' which she would retinguish without the slightest hesitation, because it was an iin pediment to the fulfilment of her love Not a single historian protested against the gross distortion of history, and the government of India, which is apparently committed to rais ing the status of women, considered its duty towards women complete when it gave the film a tax exemption. In contrast to the treat ment which Razia and Didda receive, women who act as regents, combining the inother role with that of the ruler, are not so threatening All the mothers who preserved power for their sons have been mythified in the famous dictum "The hand that rocks the cradle rules the world" It is women like Rani Lakshmibhai and Chandbibi whose persence in history has been most acceptable. They combined heroic valour and resistance against imperial power with actions to preserve the throne tor their sons.

In sharp contrast to the acceptability of women wielding power on behalf of their sons is the case of women acting on behalf of their husbands. Take for example the case of Nur Jahan and Jahangii. For historians it has either represented the cliete' rule of an emasculated' king or a case of 'manipulation' by Nui Jahan, a power hungry woman. Of course it goes without saying that manipulation by women is different from the manipulation by men

It is aniply evident that from the above examples if historians abdicate their responsibilities towards ensuring an informed popular perception of the past others will step in for reasons of their own with consequent distortions, which can have a powerful impact. In such a situation, the need do evolve alternative, more meaningful perspectives on women's history is evident.

#### Ш

The quest for such alternative perspectives is by no means new. In many ways the debate begins to take its present shape from Engels (1972) However, perhaps some of the most truitful and stimulating suggestions have emerged from the ongoing discussions within the western feminist provement which both challenge existing theoretical formula tions and attempt to explore alternatives The debate has been vigorous, with at least two distinct perspectives the socialist feminist and the radical feminist, which have despite differences, influenced and enriched one another? Further, subtle and not so subtle differences are discernible within each of these broad categorisations, which is perhaps inevitable given the complexities in volved. While a detailed discussion of such theoretical concerns is not possible in the present context, we will locus on some of the more critical formulations which appear relevant for attempts to understand women's history in particular and in the long run history in general

To start with, some of the new perspec tives have been extremely i selul in providing new insights into the connections between women's status and their participation and control of productive processes. In this sphere, while there has been no serious at tempt to redeline production, the mere of lost to correct the inherent male bias in disciplines such as anthropology # has led to an understanding which in sourc areas at least, considerably modifies accepted no tions. Perhaps the most striking example of this is the recognition of women's importance in hunting gathering societies, where ethnographic data establishes that in certain environment at least, gathering is substan tially more important than hunting, and women's participation and control over the former activity is to a great extent responsible for the high status they enjoy in spite of the fact that there is a fair degree of role differentiation based on sex differences. While there are certain problems in projecting such evidence backwards on to specific prehistoric hunting-gathering societies, these studies are useful in suggesting that the fragmentary archaeological evidence at our disposal may be interpreted in more ways than one, and in sensitising scholars to the possible variations, rather than a uniform pattern applicable to all hunting-gathering societies.

The attempts to use anthropological and other evidence to study and explain the connections between the decline in the status of women with increased dependence on plough agriculture, however, run into complications. In the first place, evidence from studies of contemporary populations such as Draper's (1975) account of the Kung who are sedentarising, is not very useful, as such sedentarisation occurs in a context where settled agriculture is the norm rather than the exception, unlike primary historical situations, where the transition from shifting cultivation to intensive agriculture was probably occurring for the first time. Further, some of the explanations offered for the impact of the transition on women tend to be speculative. Thus Stanley argues that men being stronger could prohably handle the plough better and hence gain control over agricultural production, although she also suggests that women had probably invented the plough initially, as they were the ones most closely associated with agriculture, and western mythology recognises goddesses such as Athena and Minerva as the inventors of the plough (1981). Her other speculations postulate links between the declining importance of hunting in a society increasingly dependent on agriculture as a source of food, and the consequent desire of males to be a part of the crucial production process, their advantage in possessing knowledge of animals which could be harnessed to the plough and inability of overburdened women to resist the takeover of the production process.

Ember's (1983) analysis is possibly more useful, as she locates the transition within the context of a pre-existing sexual division of labour and provides data from contemporary agrarian societies which indicate that while the total contribution of women to agriculture in terms of human hours increases, with the shift from horticulture to agriculture, their contribution declines in relative terms. This is also linked to the increased pressure on women as both population and housework tend to increase with sedentarisation, as does the time spent in processing foods, especially cereals. Thus, important connections are suggested. It is possible that some of these will be specific to certain situations whilst others may have a more universal validity; nevertheless, such connections need to be explored if we are to arrive at a clearer understanding of the

processes which possibly led to alteration in women's status.

A systematic investigation of the connections between women's status and their participation in productive activities, both as producers and as controllers of production, would require a thorough investigation of the sources, textual, epigraphic and archaeological. It is likely that, even in terms of information, much data in this specific area remains to be unearthed and collated for a systematic analysis of the spheres exclusive to men and women, as well as the extent to which both might participate in certain areas. We also need to examine the relationship between women and the productive process as mediated through the connections between women and men, including variations, as well as variations between different recognised categories of women based on the varna-jati system for example, burther, such variations need to be examined over space and time.

Such an investigation, apart from contributing to a meaningful history of women, is also likely to modify historical analysis of production which have so far generally focused only on the relations between different categories of men.

One specific problem related to the early Indian context which could be investigated for instance is a certain dichotomy between textual prescriptions and epigraphic evidence. Thus while the brahmanical tradition places severe restrictions on the property rights of women, there is epigraphic evidence from the Saka-Kusana period onwards to suggest that women occasionally made independent grants to religious institutions, indicating a certain amount of control over productive resources

Perhaps of even more fai-reaching significance would be an attempt to reconstruct women's history by focusing on the process of social reproduction, which based on domestic labour, involves the day to-day recreation of labour power, which, in contemporary industrial societies, involves cooking, servicing the domestic area, and the provision of sexual services-biological reproduction and the socialisation of children (Bujra, 1978: 20). Domestic labour is invisible in the capitalist economy as it is 'free', i e, unpaid labour as opposed to wage labour and this invisibility appears to be reflected in the absence of any serious recognition of this concept in historical studics. Even Marx's analysis of capitalism overlooks the connection. Thus Bland et al (1979-80) observe, "the site of the replacement and replenishment of the capital labour relation, the sphere of procreation and domestic labour, is not contained within Capital's analysis of the capitalist mode of production". Even a superficial examination would suggest that the role of women in this process can by no means be ignored. Although in reality "there is evidence that by the unceasing creation of modes, principles and symbols of continuity men have

obscured the fact that the material base of human history is human reproduction" (O'Brien, 1982: 10).

It is also obvious that the process of social reproduction, like that of production, has been subject to change. Concern with the nature of such change has led scholars such as Hartmann (1981: 368) to suggest that the conventional view of the family as a unit consisting of members sharing common interests needs to be challenged. She perceives it as a locus of struggle, as a unit where both production and redistribution take place. How such struggles are resolved needs to be studied, as well as the implications of this concept for an analysis of kinship structures.

If one recogniscs the importance of the process of social reproduction, certain related questions assume considerable importance. How, for instance, and by whom is the process controlled? What are the changes discernible over time? What are the links between the process of production and reproduction? And how do these connections change? We might also need to reexamine the present periodisation of socioeconomic history based on changes in the mode of production, if, for instance, recognition of the importance of social reproduction suggests, alternative, possibly more fundamental changes. Can we then also consider a mode of social reproduction?

It is obvious that an analysis of women's history which recognises the importance of domestic labour will he complex, rich and has immense possibilities. For example, the numerous dasis who appear in our literary sources from the Rig Veda onwards, and who have commonly been dismissed as simply involved in domestic activities, will probably acquire a new importance, once the sphere of domestic activities is recognised as an area of crucial importance.

Despite its obvious usefulness in focusing attention on an area where the presence of women is indisputable, the concept of social reproduction has certain limitations. Thus as Barrett (1980: 27) observes, "it has not yet adequately explained how and why it is that women (emphasis in original) should be assigned any special role" in spheres other than biological reproduction. This critique implies the need to evolve an understanding of gender, an area in which feminist contribution has been particularly significant.

Perhaps one of the most succinct definitions of gender has been offered by Rubin (1975: 159) who regards it as "the set of arrangements by which a society transforms biological sexuality into products of human activity and in which these transformed sexual needs are satisfied". It also generally implies "obligatory heterosexuality and the constraint of female sexuality" (ibid: 179) in most historical situations. Rubin (ibid: 178) also suggests that "the division of labour by sex can be seen as a 'taboo', a taboo against the sameness of men and women, a taboo dividing the sexes into two mutually exclusive categories, a taboo which

exacerbates the biological differences between the sexes and thereby creates gender" (emphasis in original). The concept of gender implies that masculine and feminine characteristics are socially imposed and not biologically inevitable. This is evident from the fact that the specific elements regarded as crucial to definitions of masculinity and feminity vary considerably over space and time.

A recognition of the importance of gender as an analytical category leads to certain fundamental reformulations of commonly accepted divisions such as the 'private ver sus the social' and the 'private versus the political' Once it is recognised that the gender hierarchy is essentially a construct related to notions of power and powerlessness and that politics may be viewed as "a system of power relationships and value hierarchies which necessarily includes both women and men" (Ising and Yanagisako 1982 513), then it is obvious that spheres of activity which are commonly defined as per sonal have a significant political dimension as well As Barrett (1980 78) observes, "Although the state is formally only in terested in such 'private' matters as sexuality only insofar as they affect the public good, it is clear that the degree of state involve ment in sexuality and procleation renders the public/private distinction untenable" 9

The use of gender as a category enabling us to arrive at an understanding of the relationship between women and men in any society is obvious. A historical analysis would involve a thorough study of the ways in which men and women are differentiated from one another, the significance of such differences in terms of the delimitions of power specific to each instance, the changes in the definitions of gender and their implications, as well as links between gender and social reproduction and production. Further, the use of gender in ideological discourse needs to be examined.

It is evident that the process of evolving a historical analysis which takes into account sexuality, social reproduction and production and their relationship, may not prove to be simple There may not, for instance, be an easy fit between changes in one sphere and changes in another Further, the usefulness or otherwise of each of these formulations needs to be tested through the analysis of specific bodies of evidence, and, if necessary, modifications specific to the Indian context may be required in the ultimate analysis, it is important that we are able to explain rather than explain away This needs to be stressed in view of the fact that there is an occasional tendency to treat women's history as a soft option, which can be as detrimental as the problems of distortion and neglect noted earlier

It is also likely that there may be limits beyond which our sources may prove inadequate to answer many of the questions which must necessarily be posed. For instance, to what extent were women as a category acted.

upon, and to what extent did they act, either in the sense of actively accepting or resisting or even initiating changes in various spheres? As mentioned earlier, women have had lit the to do with the composition of almost all the textual evidence at our disposal. Hence we need to be sensitive to the various ways in which women's collective consciousness to may be reflected or refracted in these texts.

One wonders why, for instance the *Purana* and the spics were recommended especially for women it is obvious that at one level an attempt was made to theor porate diverse and often conflicting traditions within an overarching brahmanical tradition. Do elements of a women's 'sub culture' survive in the extant literature? and how are we to recognise it?

The challenge needs to be taken up in order to arrive at a fresh understanding of the history of women in early India, and in the long run, to evolve a more meaningful and comprehensive historical perspective in general

### Notes

IAn earlier version of this paper was presented at the Srinagir Session of the Indian History Congress October 8 1986. We are grateful to DN that general secretary, Indian History Congress, for permission to publish this revised version.

- 1 For a detailed discussion of such linkages see Thapar (1975) and Sharma (1983)
- 2 It may be noted that while Bader (1867–224) suggests the introduction of Christianity as a possible solution, she does not pursue this beyond a suggestion
- 3 Other opinions along similar lines include Chaudhuri's (1956—3) statement that the 'time is now tipe when Indians should look back to their glorious Vedic life and allow the girls to enjoy the same Vedic tights as our holy scriptures declare.' Jayal (1966—292) also considers the Vedic age as the ideal Less explicit is the aim of Thomas (1964—v) who attempts "to give the leader a connected account of the gradual subjection of women in India, which statted from very early times and continued right down to the eighteenth century."
- 4 Das (1962 15) is amongst the most explicit in this context. During the war time she was more a liability than an as et alter her inarriage she migrated to another tannly and on account n1 the change in her gotra she ceased to be of any direct spiritual benefit to her paients, substantial amounts of money had to be spent on the occasion of her marriage, she had to be maintained in case of her husband's poverty or death in the event of her remaining unmarried she had to be provided for by the apportion ment of a share in the family property, and she had to be sedulously guarded against going astray" Such an explanation is also briefly hinted at in Rao Shastri (1962 72) and Thomas (1964 54)
- 5 As for example Asopa's study on Feudal Rights over Courtesans (1977), Balambal's account of Kundavai A Chola Princess

- (1978), M Sumathy's study of the Social Status of the Courtesan in Early Medieval Kerala (1978) A K Prasad on the Functions and Gradations of Devudasis (1984) and A K Tyagi's (1984) account of women workers in the Jatakas
- 6 The treatment of Karkeyi in the Ramavana also probably reflects a tendency to con-'demin women who violated the 'proper' gender hierarchy
- 7 For a review which examines the crucial differences in perspective and includes an exliaustive bibliography on the debate, see Mackinnon (1982)
- 8 Discussions of current anthropological evidence on the issue in Slocuin (1975) and Lee and De Vore (1972) is particularly revealing. Binford's ethno archaeological studies are also relevant in this context.
- 9 For example, the political dimension of kin ship relations can no longer be ignored Gender moreover has a very important symbolic dimension, and gender hierarchies oft in serve as idioms for other kinds of social differentiation (ibid)
  - An illustration of this from the early Indian context is the tendency in the brahmanas to equate gender with the emerging varna hierarchy
- 10 keohane and Gelpi's (1982) discussion focuses on at least three distinct analytical levels it which women's collective consciousness niight be studied a teminire consciousness? (ibid ix) 'which rivolves consciousnes, of oneself as the object of attention of another woman as defined by nale gaze, construct and desire a female consciousness of swomen as life givers and life sustainers, bonded tegether by this common cipacity and obligation' and a feminist consciousness, which draws at tention to the pervisive patterns of subordin tion limitation and confinement that have hampered and crippled the develop ment of the leniale half of huniankind" tibid x) It is quite likely that at any given moment more than one if not all three levels of consciousnes, might co exist

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## BEARDSELL LIMITED

Regd Office 47 Graemes Road Madras 600 006

FORM II A (See Rule 4(1))

### NOTICE

It is hereby notified for the information of the public that Beardsell Limited proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under Sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for approval to the establishment of a new unit Biref particulars of the proposais are as under

1 Name and address of the Applicant

BEARDSELL LIMITED Regd Office 47 Graemes Road Madras 600 006

2 Capital Structure of the Applicant Organisation

Authorised Rs 2 00 00 000/ (divided into 2 00 000 equity shares of Rs 100/ each)

Issued & Subscribed

Rs 1 51 47 900/ (divided into 1 51 479 equity shares of Rs 100/ each)

Management structure of the applicant organsation indicating the names of the Directors including Managing/Whole time Directors and Manager if any

The Company is managed by the Board of Directors consisting of the following

- 1 Mi M Uttam Reddi
- 2 Mr P Punnaiah
- 3 Mr A L Prasad
- 4 Mr P C D Nambiar
- 5 Mr T T P Abdullah
- b Mr Ram V Tyagarajan
- 7 Mr V Thirumal Raco
- B Mr W Laidlaw
- 9 Mr K Ramachandra Reddy
- 10 Dr Easo John

The Company proposes to establish a new Unit for the manufacture of Rockwool

The Unit is proposed to be located in Andhra Pradesh

Since the proposed establish ment is only a Unit this does not arise

7 In case the proposal relates to the production storage supply distribution marketing or con trol of any goods/articles indicate

6 Capital structure of the proposed undertaking

Indicate whether the proposal relates to the

establishment of a new undertaking or a new

Location of the new undertaking/unit/division

- (i) Names of goods/articles
- (ii) Proposed licensed capacity
- (III) Estimated annual Turnover
- 8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc
- 9 Cost of the Project

unit/division

Scheme of finance indicating the amounts to be raised from each source

Rockwool 12 500 Tons per annum Rs 400 Lacs

Not applicable

Estimated Project cost is Rs 500 Lacs

- 1 Rupee Term Loan from Financial Institution Rs 3 Crores
- Internal sources and/or issue of new equity shares
   Rs 2 Crores

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of the notice, intimating his views on the proposal and indicating the nature of his interest therein

Dated at Madras on this the 23rd day of March 1988

A L PRASAD DIRECTOR

# On the Construction of Gender Hindu Girls in Patrilineal India

### Lecla Dube

What are the mechanisms through which women acquire the cultural ideas and values which shape their images of themselves and inform the visions they have of the future? What are the processes by which women are produced as gendered subjects in the patrilineal, patrivirilocal milieu of Indian society? This article examines the process of socialisation of Hindu girls through rituals and ceremonies, the use of language, and practices within and in relation to the family

THE process of growing up temale in the patrilineal, patrivirilocal milieu of Indian society has received inadequate attention from social scientists. The many subtleties and complexities of the process have been missed out What does it mean to be a girl? At what age does a girl become conscious of the constraints under which she will have to live, of the differential value accorded to male and female children, and of the justifications behind it? When and how does she learn the content of roles appropriate to her? What are the mechanisms through which women acquire the cultural ideas and values that shape their images of themselves, and inform the visions they have of the future? How do they acquire sensitivity towards the contradictions in values and noims presented to them and towards the limits within which they have to function, necessitating the adoption of particular strategies? In other words, how are women produced as gendered subjects?

This paper poes a part of the way in answeiing some of these gestions. I do this by focusing on aspects of the process of socialisation of Hindii girls through ricuals and ceremonies, the use of language, and practices within and in relation to the family I have restricted my focus on the socalisa tion of Hindu girls for two leasons, the first hand material on rituals and linguistic expressions customs and practices which I could gather for the paper came mostly from Hindu informants or about Hindu girls, and my own upbringing in a Hindu family form ed a solid base for collecting information and for understanding and interpreting it The material used in this paper comes from various regions of India While producing instances, I have, in the anthropological tradition specified the region to which and often the group to whom the ritual/custom/ practice relates. However, the spread of these rituals, customs, and practices is wider in terms of geographical and social space, the generalisations and inferences drawn from them have much wider applicability

It should be kept in mind that gender differences that are culturally produced are, almost invariably, interpreted as being rooted in biology, as part of 'the natural order of things'. To give one relevant example, in patrilineal India the commonly-held idea regarding the roles of father and mother in procreation is that man provides the seedthe essence -while the woman provides the field which receives the seed and nourishes it A child shares the father's blood. Thus, while the natal group emphasises woman's transferability or her non functional nature from the point of view of perpetuation of the group and continuity of the family the husband's group eniphasises her instrumen tality, her place as a receptacle, a vehicle for the perpetuation of the group. This social arrangement in which men and women have unequal rights positions, and roles, both as brother and sister and as husband and wife is perceived as corresponding to the arrange ment of nature which assigns unequal roles to the two sexes in procreation 2

Gender roles are conceived, ciracted and leaint within a complex of relationships lo understand this process it is necessary to keep in mind the implications of the fainily structure and the wider context of kinship in which it is embedded. There are two major aspects of the implications of family structure. A family structure, at a given point of time, is not just a function of demo graphy, it also reflects the rules of recruit ment and marital residence and the normative and actual patterns of rearrangement of the family in the process of the replace ment of the old generation by the new Sc cond, there is something beyond the actual composition of a family unit-its Configura tion of role relationships and 'specific' and 'objective' contribution of members to the business of living that goes into the apportionment of family resources, gender based and age based division of work, and the conceptions of, and training for, future roles of male and female children

Kinship is not merely a moral code but provides the organising principles which govern the recruitment to and placement of individuals in social groups, formation of the family and household, residence at mar riage, resource distribution including in heritance, and obligations and responsi bilities in the business of living of individual members of the group. The notion of entitlement-to membership in a family, to food and nutrition to health care, to education, to authority and decision-making cannot be understood and a proper analysis of family ideology is impossible unless we take note of these aspects. Many of them may not be clearly spelt out, it is necessary, therefore, to examine the assumptions underlying the ideas and behaviour of the people. Their close relationship with religion as it is lived and practised by the people does not need emphasis. The specificity of a kinship system is crucial for understanding the process of socialisation. This is, of course, not to deny the need to examine the various inter linkages between the individual household and the wider structures and processes of society, the recognition of the importance of the specificity of kinship is crucial for such examination.

Finally, family structure and patterns of kinship are tied to the institution of caste. In the caste system the fact that membership of discrete and distinct groups is defined by birth entails a concern with boundary maintenance through regulation of marriage and sexual relations. Although group place ment in most of Hindu India is governed by the principle of patrilineal descent, in the attribution of caste status to the child the caste of the mother is not irrelevant. The onus of boundary maintenance falls on women because of their role in biological reproduction Caste, then imparts a special character to the process of growing up female in Indian society

### THE MALE CHILD

The recognition of the special value accorded to male children comes early While surrounded by affectionate and appreciative parents, grandparents, uncles and aunts, a little girl of three or four may hear a maidservant exclaim 'Oh such a sweet child How wonderful it would have been if this was a boy? ' This incident was nariated to me by M k Chander of the University of Mysore. The little gul in que tion was the second daughter of parents who were hoping for a son. The happiness expressed all around at the birth of a son and the way the parents and the close relatives of the new born are congratulated can hardly c cape the attention of little girls. The desirability of having sons and undesirability of having more daughters is inade explicit often by outsiders "Four daughters? Each one will take thousands of rupees and walk out of the house. Bringing up a daughter is like pouring water in sand. Parents who have only daughters are pitied. Their tuture is bleak for they will have no support or succour in old age. A Telegu expression conveys this effectively: "Bringing up a daughter is like watering a plant in another's courtyard."

Elders bless young girls and women by wishing that they have a large number of sons (and just one daughter). The notion of the greater value of sons is further strengthened by the existence, with regional variations, of special worships and vratas (tasts and observances) that are performed by women to have sons and to ensure a long life for sons already born. A son born after the daughter is often described as the fruit of penance and vows undertaken by the mother. A male child is so valuable that the sister after whom it is born comes in for special praise as auspicious and auguring good fortune. She is honoured in various ways, In Uttar Pradesh, for instance, a lump of jaggery is broken on her back. She has the distinction of bringing in good luck in the form of brother, a son to continue the family fine.

I am not arguing that a girl is given a teeling of being unwanted all the time. In many regions there are some special days on which daughters of the family are honoured. There is a considerable inferest in a daughter's clothes, ornaments, and accomplishments. A saying in Maraihi that "the father of a girl will never remain hungry" expresses a general feeling of the usefulness of a daughter in the performance of housework. Many parents are proud of their daughters' achievements at schools and colleges. The message that gets communicated is, however, invariably that of the immutability of the social system and that a daughter's stay in her parental home is short-lived. Moreover, not only is there something unnatural about a detay in or absence of marriage but that such a situation is full of danger and risk to the reputation of the family. An Oriya proverb equates a daughter with ghee: both are valuable but both begin to slink if not disposed of in time. An expression in Telegu, very often repeated by women in the context of the worry about marrying a girl at the appropriate time, describes a postpubertal daughter as a boil on the chest.

At the premature death of her husband a woman is consoled that very soon her sons will grow up and look after her. One never hears this being said about daughters. On the contrary they are looked upon as a liability and the mother is consoled that with the grace of god these girls too would be married off well. Related to this contrast between the expectations from sons and daughters is the commonly observed fact that in middle class families with meagre resources daughters are sent to relatively inexpensive regional language schools whereas boys are educated in more expensive English medium schools. In people's perception the education of a daughter is essentially for her own benchit; it is not an investment so lar as the natal family is concerned.

### THE NAME HOME

Girls grow up with a notion of their temporary membership within the natal home.

Rituals provide one of the important means through which girls come to realise the inevitability of their transfer from the natal home to that of the husband. Sucheta Mazumdar, talking about the socialisation of Hindu middle class Bengali women, says:

Durga puja does carry one important

message for young girts. This puju is sup-

posedly in celebration of the goddess's return to her natal home. The fact that it lasts for five days in the whole year forcefully suggests to the girl that, once married, she too cannot expect to visit her family very often. Durga puja has a parallel in Karnataka, the Gauri puja. The Gauri puja, celebrated about a month before the Durga puja, commemorates Gauri's visit to her natal home. The songs sung by women describe how Gauri entreats Shiva to send her home and Shiva comes out with a series of arguments which spell out the duties of an ideal housewife and mother. An interesting arguent that Shiva puts forward is that Canesha is young, he is used to comforts and luxuries in their house, Gauri's parents are poor; if Ganesha makes demands which her parents cannot fulfil the child will be misciable. It would also be an embarrassment for her parents. Gauri persists in her request entreating that she may be allowed to go at least for three days. Finally Shiva

days and is celebrated with great fanfare. then comes the hour of fatewell. The atmosphere is heavy. Young girls are often moved to tears just as they are at the weddings of their female relatives and friends when the transfer of the bride from the natal tamily to the husband and his family is dramatised through rituals and ceremonies. The Gauri puja conveys to young girls the much that they too will have to leave the mother's home. It also underscores a woman's lack of autonomy with respect to her visits to the natal home. In fact, in the process of socialisation of girls there is considerable emphasis on the possible need to bow before the wishes of the husband and his faintly, and in general, on the submissiveness and obedience, as feminine

permits. Just as Durga comes with her lour

children, Gauri is followed by Ganesha, her

younger son. The visit lasts for three to five

Gauri puja is celebrated also in parts of Tamil Nadu, Andhra Pradesh and Maharashtia. Some other festivals in Andhra Pradesh and Maharashtra comain the same idea of the conting home of a goddess or goddesses; around the same time as Gauri puja many families celebrate the coming home of two devis, known as elder and younger Mahalakshmis (who are beheved to be sisters) along with their children. The festival lasts for three days. It is customary to invite married daughters of the family, real and classificatory, to the feast in honour of the Mahalakshmis. A popular festival of married women in Maharashtra in the month of Chaitra (March-April) celebrates the coming home of Gauri: women invite each other for viewing the well-decorated idol and for an exchange or distribution of saubhagyachinha or symbols of married state which indicate good fortune and auspiciousness. In all these festivals the coming of daughters to the natal home is a happy event but always of brief duration.

The change in the daughter's relationship with her natal home after marriage forms the content of many other rituals. In a Bengali wedding, before leaving her natal home with the bridegroom, the bride stands with her back towards the house and throws a handful of rice over her shoulder. This signifies that she has returned the rice that she has consumed until then and has absolved herself of the debt in the natal family. Another custom, also from Bengal, which is a variation of the 'returning of the rice' theme seems to express a feeling of helplessness and worthlessness on the part of a daughter. The morning after the wedding when the bride is preparing to leave the house she speaks to her father with a hand ful of dust and says thice times, "I have taken from you in handfuls of gold. I am giving back in handfuls of dust." In an Oriva wedding, the bride pours rice into the pallu (end of the sari) of her mother. This gives rise to sighs, mutterings, wailing and weeping all around that now that she has returned the rice she has consumed, the daughter's relationship with her natal home is broken for ever

The idea of the accident of birth and the contrasting fortunes of daughter and son is a common theme in waitings and the 'send-off' of a bride from her natal home and also in subsequent visits and departures of a married daughter. To give one example, in parts of central India, on the eve of the ceremonial departure of a daughter after the wedding, a mother waits: "My child, had you been son you would have lived with us and ploughed the field and looked after us. I would have served you hot rice. But now you are being sent out of the house like a corpse."

The songs sung in the Hindi belt at the time of sending off the bride express feelings of sorrow and tesentment of the bride:

- O father you brought my brother uρ to be happy.
- You brought me up for shedding lears, O faiher, you have blought your son up to give him your house,
- And you have left a cage for me.

Looking upon the daughter as a temporary member of the family and the son as a permanent member has its consequences: often girls themselves are keen to collect their own dowry without much consideration for the plight of the parents and the future of younger siblings. If they have no right of membership in the natal family, they also have no obligation to contribute towards its maintenance. Their main concern is to establish themselves in the new family and acquire a status there. They look upon dowry as a necessary contribution towards this process. An Oriya proverb brings out the lack of convergence between the interests of the daughter and the mother: "mother and

daughter go into the temple, each to pray for her own happiness'. Just as a daughter's wellbeing is not essential for her mother's happiness, the daughter too need not pray for her mother, for her own happiness is not dependent on her natal family's well-being. On the other hand, from childhood a boy is depicted as the future provider, the light of the lineage, the one who would alter the family's fortunes. He is induced to do well in life for his own sake as well as for the sake of the family. This contributes to feelings of tension and insecurity and is one of the reasons why young men find it difficult to take a stand against dowry which is the easiest way to improve one's life style overnight.

The entire complex of wedding rituals which dramatise the transfer of the bride from one family to another is, in fact, a poignant experience and a revelation to girls in their childhood. Many girls vividly remember the first experience of the wedding of a girl in the family/kin group. This is not surprising since the message of the inescapability of marriage and of separation from the parents as a necessary consequence of marriage is first put across through lullabies and nursery rhymes:

Rock-a-bye-baby, combs in your pretty hair, The bridegroom will come soon and take you away

The druins beat loudly.

The shehnai is playing softly

A stranger's son has come to fetch me Come my playmates, come with our toys Let us play, for I shall never play again When I go off to the stranger's house.6

A necessary corollary of the sense of inescapability of marriage is the feeling of uncertainty about moving to a harsh environment. This is expressed in terms of a contrast between the natal home and the mother-in-law's house:

I went inside the house and the nigid-servant scolded me

Fearing the maid-servant, I went to my room; And my sister-in-law abused me

Fearing my sister-in-law, I went to the kitchen to cook

Any my mother-in-law threatened me, Please do not be angry, mother-in-law, I am

like a daughter to you

If you drive me out, wherever shall I go? Similarly, songs of Bhulabai, a special collective worship of the Mother Goddess observed for a determinate number of days by little girls in Maharashtra and the songs of Gangaur in Gujarat and Rajasthan invariably speak of the contrast between the husband's home and the natal home. An oftrepeated stanza in the songs of Bhulabai goes as follows:

The natal home is beautiful; There we can play to our heart's content The in-law's place is cruel It stifles and kills.

The rituals and ceremonies held at the bridegroom's place signify a welcome and the process of incorporation of the bride into the bridegroom's family. These ceremonies and rituals do not, however remove feelings of uncertainty and insecurity about the future.

It would be interesting to look further at the lullabies and nursery rhymes. In Bengal, as in many other parts of India, such lullabies and nursery rhymes are very common and cut across the rural-urban divide and, often, across class and social group. Each song has many renderings in different dialects. There are songs meant for girls alone, songs, for both boys and girls, and songs that are meant for boys alone:

Do not cry my beautiful baby, I shall bring a wife for you

Her skin will be like gold, her lips will be nipples of red

I shall fill huge drums with ghee,

I shall cook very fine rice

My son will eat his fill, His wife will lick his empty plate.

It is obvious that these songs convey the same message to the girls who hear them:

that of their transferability and the possibility of an unfriendly environment which they

will have to face in future.

A very effective source of conveying these ideas is everyday language. Take, for instance, the following questions which form part of the conversation among elders: 'In which family have you given your daughter?' or, as in Oriya, 'Where have you sent your daughter to toil?' or, 'Into which family have you married your daughter?'. These expressions imply transferability or transference of a female child as 'givens' of the social reality.

### CONSTRUCTION OF FEMINEITY: PRE-PUBERIAL PHASE

The construction of femineity, 7 is a continuous, complex, and occasionally con tradictory process. The differential value of sons and daughters and the unshakable association between marriage and the departure from the natal home is complemented by the notion of the intrinsic purity of pre pubertal girls. This quality of purity is given special recognition in several rituals. In the marriage ceremony of certain brahmin groups and a few other communities in Karnataka a little girl carries a pot of auspicious water decorated with betel or mango leaves on her head and walks in front of the bride. She is believed to ward off evil. In fact, a little glrl carrying a pot of water decorated with leaves and often covered with a coconut is a necessary feature of marriage ceremony and other rituals among many caste groups in south India and Maharashtra. Among the brahmins of Andhra Pradesh such a girl has to accompany the bridegroom. In Maharashtra, when Maratha bridegroom is going in a procession to the wedding pandal, a little girl sits behind him on horseback and carries a small pot of water on her head. A pre-pubertal gitl is looked upon as a manifestation of devi or Mother Goddess and is believed to be an anti-dote to evil spirits and the evil eye.

In parts of Karnataka, Andhra Pradesh,

and Maharashtra, at the name-giving ceremony of an infant a little girl is chosen to act as the mother of an infant which is represented by a stone, usually an elliptical grinding stone. She sits near the mother of the new born on a decorated seat. The stone representing an infant is wrapped in a new cloth, just as the human baby is in new clothes, and may also be adorned with an ornament. The little girl and the stone infant go through the various rituals before the mother and the new-born do so; this is to ward off evil. In some communities a llttle girl also plays the role of a companion to a pubertal girl during the period of seclusion on her first menstruation.

Beginning from Kashmir in the north-west the custom of worshipping and the ritual feeding virgin girls (kanya) on special occasions is widespread in India. The eighth day of the festival of nine nights (nava ratri) is one such special occasion. On this occasion in Bengal, one girl is chosen as representing the Mother Goddess. She is decorated in finery and is worshipped. The offerings made to her are consumed by others as prasad (consectated food). Two points emerge: First, in the instances given above the roles or forms assigned to little girls are essentially feminine ones8 and help in developing their consciousness of femineity. Second, the purity and the consequent privileged status of a girl in the pre-pubertal phase contrasts sharply with puberty and post-pubertal status and helps define the latter phase with tremendous clarity.

### CONSTRUCTION OF FEMINEITY: ONSET OF PUBERTY

The onset of puberty introduces dramatic changes in the life of a girl. In many Indian languages menstruation is likened to the process of flowering or blossoming-the necessary stage before fruit can appearand expressions such as 'her body is full', 'it is ripe', and 'it is ready' are common. References to full-grown body, becoming a 'woman' becoming 'big', becoming 'mature' and 'knowledgeable' all express the fact of her changed status.

In south India this change in status is expressed through rituals and ceremonies. Some castes in Maharaslıtra and Orissa ulso share the essential features of puberty rituals although they often conduct them on a fairly modest scale. My account of puberty rituals and special dietary prescriptions and restrictions for pubertal girls is based on observation and informal interviewing. It was a conscious decision on my part not to depend on the earlier accounts of puberty rituals prepared by anthropologists and administrators and published in volumes on tribes and castes and in monographs and journals; I was keen to know the situation which exists now. Information was collected for different castes in various geographical areas. The common features of the celebration of the onset of puberty are: confinement or seclusion of the girl for a certain number of

days<sup>9</sup> arti to signify the auspiciousness of the occasion and to ward off evil to which a menstruating girl is believed to be especially vulnerable, serving her special food, in forming the relatives and friends, giving the girl a ritual bath, presenting her with new clothes and accessories of beautification such as flowers, jewellery and bangles, and a feast which also serves the purpose of an nouncement of the event 10

In Karnataka, at her first menstruation a girl is fed with dry coconut, milk, ghee, eer tain fruits, a mixture of jaggery and sesame seeds and meat and chicken soups among meat-eating groups. It is customary for the relatives, particularly the alfinal relatives, to bring gifts. In Andhra Pradesli jaggery and sesame seeds are ceremonially pounded by women often to the accompaniment of songs, small balls made out of this nixture aic given to the menstruating girl and aie distributed among women and girls fhere is also an exchange of turmeric powder and kumkum among married women which is a cominon leature of most auspicious occasions. Among the vokkaliga of Mysorc the period of confinement lasts for sixteen days at the end of which there is a celebration The girl lias to be kept back from attending school or going out

The fact of a gul's maturity and her full grown body is communicated symbolically through certain gilts. In Andhia pradesh pre-pubertal guls customarily wear a long skirt and a blouse. An important component of the puberty ceremony is the ritual of wearing a half sail gifted by the maternal uncle A hall sari is much shorter than a full length sair and hence easily manageable for a young girl. It. however, serves the main function of a sarr to provide an outer cover for the upper portion of her body. The ritual of wearing a half sari therefore, symbolises the changed status of the pubertal girl School going girls often feel emhariassed when they are contined at home for a deternunate number of days, depending upon the custom of the particular caste, and an application for sick leave is sent to school Certain customs such as wearing a half-sari make the change in status obvious and in coeducational institutions when they return to the school these girls may have to face some teasing from the boys. It is, however, not easy for parents to discontinue the practice for they may be criticised for being singy in avoiding the celebration of a girl's coming ol age

In Marathi, arraining maturity is cuphe mistically expressed as 'she has now acquired a padar' Padar is the upper end of the sair which is used to cover the bust and is taken over the shoulder and allowed to hang on the other side. Among the nattati nadar, a maternal uncle brings a sari for the niece when she reaches puberty. The implications of a full grown body will be discussed a little later.

It is in the light of her emergent sexuality and prospective niotherhood that the special diet for the puberial girl needs to be

understood Apart from eating nourishing food, the girl has to avoid 'cold' or particularly 'hot' foods The regulations may continue from a few days to a few months to one or two years after the first menstruation Indigenous understanding of the qualities of different kinds of tood is at the back of these restrictions and recommendanons They are meant to make up for the loss of blood, regularise the menstrual cycle and flow, strengthen the reproductive organs, and in general, to contribute lowards future fertility, to make the process of child-bearing smooth, and to restrain the girl's sexuality Puberty celebrations and the special diet regulations seem to express the value of restrained and controlled sexuality and of motherhood

As a part of the changing scene among educated people in towns and especially in cities, the event of first menstruation is being turned into a tamily affair without any ostentatious celebration, though the basic rituals may be retained What McGilvray [1982 34] says about the Moors in Sri Lanka seems to be the reaction of at least some people in Kainataka. 'The Moors, on the other hand seem now a days to be more concern ed with the liabilities and proprieties of having a nubile unmarried daughter in the household and so they avoid any public ritual which inight draw attention to her changed status? It is seen that if an elder sister is still unmarried, there is a tendency to hush up the onset of puberty for the younger sister. As a matter of adherence to tradition some families perform publity intuals only for the first daughter, with celebration and invitations, and take the coming of age of subsequent daughters more or less as a routine event. A special diet is, however, given to a pubertal girl, and among upper castes observances of purity and pollution relating to menstruation are practised to a certain extent. Although school going guts from educated families are able to have their way and may even be helped by the tather in avoiding the celebration of the event, they cannot avoid sharing a part ot a common core of ideas and beliefs

Although the celebration and the ingredients of the special diet may vary across regions and caste groups, the message is clear the girl is now equipped to become a mother and this is a matter of rejoicing, for the main purpose of the female body is to reproduce. The ceremonial wearing of green bangles by a pubertal girl among the Maratha caste group in Maharashira make this clear since green is the colour of fertility and signifies a uspiciousness. The girl has, moreover, reached marriageable age and those people (particularly affines) who are likely to be interested in a marital alliance should know about this fact.

Does this emphasis on fertility and marriage and special attention which a girl receives when she reaches puberty increase fier sense of self-worth? Or does it give her a feeling of being trapped and having lost her freedom? We cannot be certain What

is clear, however, is that the special value accorded to fertility and marriage also has its other side, the apprehension of barrenness and of the failure to get married

In most of north India the first menstruation is not marked by rituals. The event is taken care of by the mother and the female relatives unobstrusively and within the home. The observances relating to menstrual pollution are introduced quietly, often with the attempt that children and males in the family and outsiders should not notice them A menstruating girl is asked not to eat spicy food, pickles and curds, and in general to avoid what are considered very 'cold' or very 'hot' foods. She is advised not to stand in cold water for too long or to walk around with wet feet. Jumping, playing rough games and riding a bicycle are considered as harmful during menstruation. All these are related to the care which needs to be taken of the girl's reproductive organs and of the regu larity of the menstrual period and flow

It is interesting to note that to the north of north India, in Nepal, the onset of pubcity is marked by confinement and special rituals. As described by Lynn Beunctt, ainong the upper caste Pabatiyas, it is mark ed by the immediate removal of the girl from her natal home and seclusion in a dark win dowless room known as the 'gupha' or cave She may not see or be seen by Surva, the sun god, or her male nataf kin during the period of her seclusion. At the end of her seclusion she must take a purificatory bath and receive from her tather and brothers gifts consisting of a red sarr and a blouse and accessories of a married woman signifying 'a complete transference of the daughter's nascent sexuality away from her natal group and to another patriline (p 240) A significant point made by Bennett is about the cultural assertion of a girl's sexuality in relation to her nataf male kin as symbolised by the severe avoidance of these kin by her during the period of seclusion "

In both north and south India the onset of puberty is a definite point of departure in the life of a girl. She has now crossed the threshold of childhood and entered the most critical stage of life when her body has acquired a capacity to reproduce but she has no authority to do so. During the period between puberty and marriage a woman's vulnerability is at its peak. The post-pubertal phase then is characterised by restrictions on movements and on interaction with males and by the imposition of special safeguards I shall look into these later. My point here is that the management of a girl's sexuality is tied to her future as a wife and mother Motherhood is the highest achievement in a woman's life Marriage is the gateway to motherhood Everything else is secondary to these two goals.

### THE 'FORTUNATE' AND THE 'AUSPICIOUS'

Preoccupation with the desirability of marriage is expressed through a number of practices Blessings and vialas for getting a husband like Shiva or Vishnu convey the message forcefully. The purpose of the two popular festivals, specially meant for little girls, Bhulabai in parts of Maharashtra and Gangaur in parts of Gujarat, which are characterised by collective worship, singing and playing, is to obtain a good husband. There are parallels in collective and individual worships and fasts in other regions. 12 The commemoration of the penance performed by Parvati for obtaining Shiva as a husband through a fast and puja (worship) has a very wide spread. In Karnataka when the bride worships Gauri and distributes prasad, young unmarried girls are advised to come forward to get a share so that they too become fortunate like the hride and soon get married. In Andhra Pradesh, it is believed that whoever acts as the bride's companion during the wedding ceremony while she is going through the rituals will soon get married. The same idea informs the practice of sharing the bride's plate and absorbing some of her good luck.

It is impossible for young girls to escape the value of the married state. Marriage signifies good fortune and a state of bliss. The terms for a married woman whose husband is alive are saubhagyavati or suhagan which means the fortunate one and sumangali which means the auspicious one. (In wedding invitations, the prefixes to the names of the bridegroom and bride differ: for the bridegroom it is ayushman or chirenjeev meaning 'one with long life'; a feminine form of such a prefix may or may not be used for the bride, but what is invariably used is saubhug yakankshini 'one who aspires for a blissful married state'.) On all kinds of ceremonial occasions and rituals participation of these 'fortunate' and 'auspicious' women is essential. Thus, it is only a married woman with a living husband who can participate in digging the earth and carrying it to the marriage pandal, spreading oil and turmeric paste on the body of the bride or the budegroom, and performing an arti on these auspicious occasions. The instances are innumerable.

The saubhagya—good fortune—or auspiciousness has to he carefully nurtured. here are a series of vratas to be observed by married women for the long life and prosperity of the husband and the accompanying narratives have clear messages. Feeding a 'fortunate' married woman on special occasions increases one's good fortune; so does the distribution and exchange of various accessories symbolising good fortune and auspiciousness of the married state such as turmeric powder and kumkum, vermilion, glass bangles, fruits, flowers, comb, and mirror. Although there are considerable regional variations the core appears to be the same.

During the last few decades the age of marriage for girls has gone up, particularly among the middle and upper middle classes, and the number of unmarried young women in white collar occupations has increased. At the same time, the cultural import of marriage has changed very little. Unmarried

women are excluded from the 'auspicious' activities of the 'fortunate' women and are made to feel that there is something wron, with them. Those who remain unmarried, by choice or through the compulsion of circumstances, often prefer to live in large cities where it is possible for them to exist in relative anonymity, and where the norms are less stringent.<sup>13</sup>

The message of the value of the married state is also transmitted in negative terms. If a married woman is auspicious, a widow is inauspicious and the significance of widowhood has to be avoided. If bangles break it is not said that they have broken, but that 'they have increased' or 'they have become many'. So also with the mangalsutra, a necklace of black beads, or tali (of south India), a special gold chain. These are the symbols of married state to be removed at widowhood. Similarly, in language kumkum does not get rubbed off a married woman's forehead; it 'increases in size'. The same care in language is taken in regard to the vermilion in the parting of the hair-a mark which signifies the married state of a woman in central, northern, and eastern India. These cuphemisms are a part of several Indian languages such as, Marathi, Kannada, Telugu, Gujarati, Bengali, Hindi, and Oriya. The underlying idea is the same everything happens as though spoken words have a capacity to act or to come true and hence their utterance must be avoided. At the husband's death, a woman's bangles are ceremonially broken, her vermilion mark/kumkum is rubbed off and her mangalsutra/tali and toe rings are removed. Even among those communities which traditionally allow remarriage of widows these practices are followed: at the second marriage the insignia are restored.

All over India, depending on the kind of attire that is accepted for widows, there are rules regarding what a married woman should not wear. In parts of south India there are rules which say that a married woman should not sleep at night on an empty stomach, without eating at least a little bit of rice, particularly on certain auspicious days, for such practices of self-denial are associated with widowhood. And even though the practice of shaving off hair of widows has almost died out, there is still an association of scissors and razors with widowhood. In many houses girls are discouraged from letting scissors, blade or any sharp instrument touch their hair. There still exist considerable reservations about girls cutting the ends of their hair in order to make them even. Many women in south India are very particular about wearing flowers in their hair: flowers signify an auspicious state and a right to beauty which a widow is denied.

Among the iyer brahmins of Tamil Nadu when the husband dies the wife continues to wear the insignia of married state for ten days. At midnight of the tenth day all these are removed. This job has to be done by women who have already become widows. Sumangali women have to scrupulously

avoid being anywhere near the unfortunate and inauspicious woman on this occasion. The atmosphere is considered charged with misfortune and in order to protect herself from mauspiciousness, a sumangali woman must clench a piece of turmeric in her first.

The other opposition which serves to define the value of the married state, particularly for minarried post-pubertal girls, is the image of the prostitute. The ways of the fallen, wanton, provocative, immoral woman must be avoided. This takes us into the question of the management of a girl's sexuality

### FEMINITY AND SEXUALITY: BODY, SPACE AND TIME

A girl is, we have seen, at her most vulnerable between the onset of puberty and marriage. Marriage has to be carefully controlled in a caste society concerned with the maintenance of boundaries. I hope my emphasis on significance of caste in the concein for management of sexuality of young unmarried guls does not give an impression of a changeless Handu society nor of impenetrable boundaries of castes. The phenomenon of caste is too complex, and subsumes too baffling a variety of patterns to yield to simple explanations. It may be mentioned, however, that due to a variety of factors contributing towards social change the boundaries of endogamy are widening: distinctions between 'sub castes' are not considered relevant by many. There is also greater te lerance of inter-caste marriages, provided the ritual distance between concerned caste groups is not too wide, and there are no problems of disparity in economic and social status. But, these changes are limited in scope and extent and have not radically affected people's ideas.

The phenomenon of boundary maintenance is a crucial element in the definition of the cultural apprehension of the vulnerability of young girls and the emphasis on their purity and restraint in behaviour. This is expressed in the construction of legitimate and 'proper' modes of speech, demeanour and behaviour for young girls and in the organisation of their space and time. 'A Girl is Born', a contemporary street play in Marathi by a group of feminists which has attained considerable popularity, sums up the do's and don'ts administered to a post-pubertal girl.

Do not abandon the vow of womanhood taken by you

You have to follow your mother, grandmother, and great grandmother

You have to mind the hearth and children Do not ask odd questions, Do not exceed the boundaries

Do not get out of control, Do not abandon the vow of womanhood.

Do not speak with your face up, Be inside the house

Wash clothes, clean the utensils, Cook and serve tood

Clear the leavings and remove the soiled plates

Sew and embroider, Sweep and draw designs on the root

Water the July plant, Cucumambulate the sacred tree

Observe fasts and perform viatus

Bend your neck downwards, I ook down wards

Walk without looking up, do not let your eyes wander

Do not abandon the vow of womanhood. 14

Considerable importance is attached to the way a girl carries herself, the way she sits, stands and talks, and interacts with others A girl should walk with soft steps: so solt that they are barely audible to others. Taking long strides denotes masculinity Girls are often rebuked for jumping, running, rushing to a place and hopping. These movements are considered a part of masculine behaviour, unbecoming to a female; however, the logic of the management of a girl's sexuality also defines them as unfeminine; they can bring the contours of the body into greater prominence and attract people's attention. A girl has to be careful about her posture. She should not sit cross-legged or with her legs wide apart. Keeping one's knees close together while sitting, standing, or sleeping is 'decent'; and indicates a sense of shame and modesty. 'Don't stand like a man' is a common rebuke to make a girl aware of the demands of Icmininity.

Guls are encouraged to speak softly, and to avoid abrasive - 'male'- language. Boys, of course, learn all kinds of abuses; however, even the milder arises used by women arc frowned upon if used by young girls. A girl must demonstrate her capacity for selfrestraint: talking and laughing loudly is disapproved of; a girl should not be argumentative In Andhra Pradesh, a loudmouthed girl may receive the epithet of 'Marı' which refers to the malevolent god dess who brings pests and destruction. Sucheta Mazumdar's statement that being soft-spoken and demure qualifies a Bengali girl for a description of her being like Laxmi, the goddess of wealth, while a loud and noisy girl is rebuked as Alokkhi (the opposite of Laxini) seems to capture a common experience for girls. The actual epithets, however, vary.

To establish her feminine identity, a young girl should avoid masculine deincanout and behaviour. This identity also demands that she should be circumspect with men. A girl who has come of age has to be protected not only from men but also from herself. The need to control female sexuality is often expressed through metaphors. Emphasising the necessity of not allowing young women and men to come close it is said that unless a physical distance is maintained between hay and fire, it is inipossible to protect the hay from catching lire. Another saying prevalent among the matrilineal but caste-bound nayar powerfully conveys the fact of vulnerability of young girls: 'Whether the thorn falls on the petal or the petal falls on the thorn, it is always the petal which runs the risk of getting hint and Instigured. The same idea is expressed in central ludia: "Whatever can happen to butter-nulk? It is the milk which gets bad", and "It is the earthen pot which gets polluted and defiled easily and permanently; a metal one can be rubbed, washed off and cleaned to purity; nothing happens to it." Likening woman to an earthen vessel and man to a vessel made of brass is widespread in India and is even used in the dehberations of village councils in adjudication of cases of elopement, molestation, and sexual aggression.

A girl has to be carefully guarded against even a remote semblance to a woman of loose character, a woman of the street, a prostitute, someone who uses her charms to attract men. For a post-pubertal girl whistling is not merely to be a tomboy; it signifies amorous inclination. This is also true of the jingling of bangles. Smiling without purpose, glancing 'furtively', looking through the corners of one's eyes do not become a well-bred girl. Sligness and modesty are approved and considered as 'natural' l'eminine qualities. While on the theme of development of femininity, it is necessary to make one point: the importance given to the physical appearance of a girl. The value ac corded to various components of physical appearance is conveyed not only through fullables, songs, and sayings but also through open praise or criticism of individual girls within their hearing. A girl's fortune (marriage being its most salient component) is tied up with her appearance; good looks are considered as an important 'qualification' of a temale. No wonder that many girls tend to develop an excessive interest in their appearance -often at the cost of other qualilications-and in clothes, jewellery, and cosmeties. Such an interest is interpreted as an expression of femininity and thus 'natural'.

In north India the association of a curved posture with a dancing girl is so strong that even an unconscious act on the part of a girl of leaning against a wall or a pillar brings forth rebuke from elders. Chewing betels makes the lips red, loose unplaited hair speak of abandon; these are sources of attraction. In many parts of India girls were traditionally forbidden to look into a mirror or to comb their hair after sunset since these acts were associated with a prostitute getting ready for her customers. These practices still continue in many families. Restrictions on the wearing of bright and gaudy clothes by unmarried girls are also rooted in similar associations. A girl standing in the doorway of the house, particularly at dusk, may be rebuked even by brothers with a mention of the prostitute. In the process of training for proper behaviour, ceitain assumptions and indications can seriously offend the sensibilities of growing girls. For instance, there is a commonly held notion that the demeanour of a girl is itself responsible for what is known as 'eve-teasing' in India. The presence of this notion can be sensed, if not clearly expressed, in the manner in which particular instances of young men making passes at young women are analysed.

Prescriptions regarding the ways in which a girl should act and behave that we have discussed are, it should be clear, set out in the context of specific notions of space and time. The injunctions about physical segregation and control of contact with males make certain demands on a girl outside her home: with downcast eyes, silent and unobtrusive movements, and her body almost shrinking, a girl is expected to create a separate space for herself in places full of strangers. More often, however, a girl prefers to niove with other girls in a group. This is well brought out by Krishna Kumar:

.We boys used the street for so many different things—as a place to stand around watching, to run around and play, try out the manoeuvrability of our bikes. Not so for girls. As we noticed all the time, for girls the street was simply a means to get straight home from school. And even for this limited use of the street they always went in clusters, perhaps because behind their purposeful demeanour they earried the worst fears of being assaulted.

Krishna Kumar goes on:

Watching these silent clusters for years eroded my basic sense of endowing individuality to every human being. I got used to believing that girls are not individuals.

Krishna Kumar is describing, what he calls, 'tragic pattern of socialisation': his experiences of boyhood in a small town in Madhya Pradesli, central India. His article is a reminder that to understand the socialisation of girls it is imperative to look into socialisation of male children. 15

It is not only molestation but also the fear of being maligned as a girl of bad characte, which a girl tries to avoid in following a strategy that Johanna Lessinger while describing the activities of women petty traders in Madras has called 'public chaperoning'. 16

If the space outside the house has to be negotiated in determinate ways by girls, this is also true of spatial divisions within the house. Pre-pubertal girls can generally play with both boys and other girls on streets and in parks, courtyards and other open spaces With the onset of puberty the compulsions of safeguard on female modesty push her into the interior of the house which is the secluded 'private' domain of the family. In poorer sections of the population, withdrawal of young girls, between the onset of puberty and marriage, from the labour market inleuding domestic service in private homes in a well-known phenomenon. In rural areas and among certain sections in urban areas dropout rates for girls at the age of puberty increase substantially.

There are similar restrictions that are

defined by the dimension of time. There is a certain familiarity which girls have with "Return before it gets dark" and "Who is going with you?" These constraints of space and time create problems for middle class girls in terms of choice of schools/colleges and courses—co-education and staying out till late which certain courses demand are frowned upon—and, consequently, in their choice of careers

At any rate, it appears that home and school reinforce each other in the process of socialisation. My experience at a school in one of the villages in Kolhapur district of Maharashtra brings this out clearly During my visit to the school along with a group of post graduate students we were taken to various classrooms and, as is the practice in such schools, students sang songs. In the juniormost class boys and girls sat together, the song in which both joined was about Chandamama (the moon addressed as maternal uncle), a popular theme for nursery rhymes and songs for children of this age lii a somewhat senior class however certain shifts had occurred girls sat n one half portion of the room and boys in the other half. They sang two separate songs. The song which the girls sang was accompanied by a dance and was about the flowers in the rainy season. Both the boys and the girls were reasonably confident

In the classicom or seventh standard, the girls who were all sari clad not only sat in a portion of the room separated from the boys, but they sat on the floor by the side of the planks. The boys were cocky they stood up on the wooden planks and in full throated voices sang confidently a song describing the valour of Shivaji, the well known Maiatha hero. We tried very hard to persuade the gtrls to sing but they sat coyly and did not open their mouths. The teacher who was a male did ask the girls to sing but seemed to appreciate and understand their reticence and shyness. When we questioned the girls as to why they did not sit on the planks it was the boys who answered "They themselves choose to sit on the floor. What can others do?"

It is important that the most prominent caste group in Kolhapur district is that of the Marathas who emphasise their martial past, follow a pattern of hypergamous mar riages, observe a kind of seclusion of women, and talk of sexual asymmetry as a part of the natural order of things A question emerges Can we really think of reforming the educational system or ol a reformed system of formal education to bring about a more 'enlightened' relationship between the sexes as long as the larger struetures which provide the context for this educational system continue to reproduce gender-based relationships of domination and subordination?

I have touched upon only a few issues in the way the organisation of space and time

for a girl is implicated in the management of her sexuality. It would be interesting to explore these questions turther keeping in mind the variations across easter class, and social groups.

# PROCESS OF TRAINING TASKS AND TOLOGOGY

I turn now to another aspect of the process of socialisation training for feminine tasks It is of course, difficult to speak of a single pattern of gender based division of work since it is characterised by considerable diversity across regions and social groups At the same time work around the kitchen mental and dirty household work and child care generally tall in the femiliine sphere The notions of appropriateness or inap propriateness of particular kinds of work for adult females and males get reflected if not replicated, in the work assigned to girls and boys The distinction between ferminine work and masculine work comes early in childt ood and becomes sharper as the child grows up

The responses of 100 randomly selected parents of students admitted to Sardar Patel Vidyalaya, a high class school in New Delhi, to the question whether they would have girls or boys to do certain chores are revealing Iwenty live per cent of the parents did not distinguish between their sons and daughters for any of the ten chores mentioned in the list hut among the rest there was a clear bias towards asking the girls to work in the kit then, sweep the floor, wash tea cups put washed clothes on the line, and dust the turniture, and the boys to letch eggs and bread from the market, help change the tyrc of the scooter or ear, and so on These response point towards deep rooted ideas regarding the gender based division of work in the society 17

The naturalness of the work supposed to be appropriate for girls is conveyed effective ly, without necessarily generating a feeling of discrimination, to little guls by encourag ing them in various games which involve 'dolls', 'household', 'kitchenwork', 'mairiage', 'baby', and 'v'siting neighbours' Beginning with assistance in cooking and other kit chenwork, serving of food, caring for younger siblings, preparing for the worship of family deities, and looking after the ag ed, girls learn to take over some of the responsibilities themselves. Washing clothes is a feminine task to be shared by the girls, where men wash their own clothes, children's clothes are still left to women and girls Sweeping and mopping the floor is women's work According to my informants in Kar nataka and Andhra Pradesh it is, in faci, considered the height of impropriety if the broom touches any male of the family 18

The point which needs emphasis, then, is the naturalness which imbues the gender based division of work. This is expressed in

many ways. A girt who does not like 'feminine' tasks is reminded that if she thinks that she can become a male, she is misraken and that she may as well learn to do the work assigned to her, for, having been born a female how can she escape it. A boy who likes to work in and around the kitchen and is interested in doing what are considered as feminine tasks,— for instance, embroiders or drawing designs on the floor—becomes the target for derision and teasing. It is most common terms used for such a boy describe him as a womanish male, one who is neither inale nor female elteminate, unmanly, and even impotent.

An importan' component of this natural' division of work is the notion of a sense of service (sewa) as the necessary quality for girls. I shall examine this notion as part of the training of girls through the ideas, values, and practices associated with food.

A necessary teature of the organisation of the serving and distribution of tood within the household is that the left overs should be eaten by teniale and not by male members of the family 1 tile girls have to learn this an expression of resentment on their part may bring in concessions but often with a remark that a capacity to adjust is of prime importance for girls If a girl continnes to cry and shout for food because she is hungry slie is considered fussy and is teased about her lack of self restraint. In many middle class houses girls are instructed to take care that the rice at the bottom of the pan (whi h runs the risk of getting burnt and of containing tiny pebbles) is not served to a male member of the family Similar care is taken regarding the first dosa

Cirls should learn to bear pain and deprivation to eat anything that is given to them and to acquire the quality of self-denial. This is a part of the training for the reality that they are likely to confront in the house of the mother in law.

The notions of tolerance and solf restraint are also tooted in a consciously cultivated temmine role which is embedded in and legitimised by culture and cultural ideology The cooking, serving and distribution of food are important constituents of a prestigious and valued role for Hindu women This role contributes to women's self esteem, ofters them a genuine sense of tulfilment and is central to the definition of many female kniship roles. The ideal of Annapurna, the unfailing supplier of food is accepted across different regions of India This ideal which has an aesthetic appeal and which sets out privation and sacrifice as delining characteristics of feminine moral character generates a set of dispositions where a woman has to think of others before oneself and onght not to care about what is being left for her Finally practices relating to lood are associated with notions of the male and fen ale body Tall and hefty boys are a matter of pride for the family, special

care is taken to give boys such food as would make them strong On the contrary it is said that a girl grows like a refuse heap. It is best, therefore, if her intake of food is controll ed, particularly just before and after the onset of puberty Girls should look younger than their age a girl with a developed body raises questions about containment of her sexuality and reminds people that marriage is imminent for her, she, it is believed, is also more likely to become a victim of sextial ag gression Women's concern that girls should internalise proper attitudes and modes of behavious as a part of their training to become women and the different notions regarding requirements of male and female bodies often combine to make a significant difference in nutrition for males and

Before closing this section, one point needs to be made. There is, I feel, a certain ambiguity that characterises the training of girls While they are being trained for present and luture roles, the lact that they will eventually be going into another family is never forgotten Families differ That a girl will leave her parental home eventually is certain to what kind of a home she will go is not. And it will take years for her to ac quire any power of decision making or any autonomy in that new home. There are also many 'its' in the process. Socialisation for an unlamiliar setting and an uncertain future imparts a degree of tentativeness and provisionality to the process. This, I leel affects the development of sell confidence and in itiative in girls. Amhiguity also characterises the presence of contradictory values and expectations which essentially reflect the con tradictions inheient in the patrilineal patrivirilocal kinship system. To give one example, the tie between a biother and a sister is supposed to be life long, throughout their life sisters are expected in obseive special days for the well being, long life and happiness of biothers. At the same time, they also hear that a woman should he like water which does not have any shape of its own and so can take the shape of the vessel in which it is pointed, nor does it retain any mark on it. Or, that a woman should be like pliable mud to be cast into a shape of his choice by the potter. A woman should thus be able to discard all the earlier loyalties and habits and get absorbed in the husband's family

#### CONCLUSION

The structuring of women as gendered subjects through Hindu rituals and practices is fundamentally implicated in the constitution and reproduction of a social system characterised by gender asymmetry and the overall subordination of women <sup>19</sup> To state this, however, is not to argue that women are passive, unquestioning victims of these practices and the representation of these practices. It is to suggest that Hindu rituals and

practices set certain limits in terms of the dispositions they inculcate among women and the different kinship roles within varying status which they assign to them within the family. The rituals and practices and the social system are, moreover, imbued with a certain givenness and appear as a part of the natural order of things. It is within these limits that women question their situation, express resentment, use manipulative strategies, often against other women, turn deprivation and self-denial into sources of power, and attempt to carve out a living space.

### Notes

[This is a somewhat altered version of the paper which torms a part of Socialisation Education and Women Explorations in Gender Identity (ed) Karuna Chanana (New Delhi Orient Longman, 1988) 'The paper, in an incipient form, was pu sented in a seminar on Socialisa. tion. Women and Education at the Nehru Memorial Museum and Library New Delhi I am grateful to Ravinder Kumar for his sensitive reception of the paper and for the facilities at the library during the period of its revision. I would fike to express my appreciation to Karuna Chanana for fier patience and her laub in me Saurabh Dube's association with the paper, at alf stages, has been invaluable. His help is acknowledged )

- t Material for this paper has come from a variety of sources. I have drawn upon the experiences of a number of people from various regions of the country their observations accounts of rituals and festivals and counter questions have helped share this paper Very often these people also icted as mediators and interpreters between other informants and me. I shall acknow fedge here, among many others. Ahaiya, Annapurna, M. K. Chander, Suzanne Daniel, Suresh Patil, Rati Rao, D Vijava, and Robert Zaedenbos from Mysore, Abhifasha Tiwati and Piamila Kumar from Bhopai, Pratima Sant from Nagpur Bhoites and Ramananima from Pune, Kamala Ganesh from Bombay, V Mohan Kumar Irom Tiwandrum, and Indrani Chatterjee, Pragati Mahapatra, Sujata Patel, Tanika Sarkar Afaka Sharma and Sanjav Sharma from Delhi Yayhodhara Misra, a sensitive story writer in Oriya, generoush allowed me to borrow proverbs and sayings used by her in her stories and in a paper presented at the Asian Regional Conference on Womer ind the Household held at New Delhi in January 1985
- 2 for an elaboration of the implication of this symbolism of biological reproduction for gender relations within the family and household, see Leela Dube, "Seed and Larth Symbolism of Biological Reproduction and Sexual Relations of Production' in Visibility and Power Essays on Women in Society and Development, (eds) Leela Dube, Eleanor I eacock and Shirley Ardener (Delhi Oxford University Press, 1986), 22-53

- 3 This was brought to my attention by Ramaniurthy of the University of Mysore
- 4 Sucheta Mazumdar, "Socialisation of Hindu Middle Class Bengali Women', South Asia Bulletin, Vol I, No 1 (Winter 1981)
- 5 I owe the account of Gauri puja to discussions with D Vijaya of the University of Mysore, a feminist scholar and a writer in Kannada
- 6 This and the following lullables are from Bengal 1 thank Meenakshi Mukhei jee and Tanika Sarkar for them
- 7 I follow Shirley Ardenei's use of the term femineity The notion has been elaborated by Renee Hirchon "Femineity comprises aspects of self identification on a deep structural level, as opposed to the less precise and not separate reality of feminini ty which is loaded with notions of secondary sexual characteristics and man's appreciation of these" (p.55). Aidence adds. "Femineity is not merely an equivalent of femininity, since it is located at a different fevel of abstraction and articulation '(p 46) See Shirley Ardener 'Sexual Insult and Temale Militancy' in Perceiving Women, (ed) Shirley Ardener (London J M Dent and Sons Ltd, New York John Wiley and San, 1975, 1977) 29 53, and Kirsten Hastrup, 'The Semantics of Biology Virginity', in Defining Females, (cd) Shirley Ardener (London Croom Helm in association with Oxford University Women's Studies Committee, 1978), 49 65
- 8 The rituals show that a pre-publical girl is never visualised as someone who can engage in the puisuit of knowledge or in the learn ing of a protessional cialt. This contrasts with the situation regarding boys. Among many biahmin groups all over India and among some upper castes, the beginning of the process of learning of alphanet is ritualised for a male child. Generally, the father or guiu (priest or preceptor of the lamily) makes the little boy write the first alphabet with his linger on specially spread out rice giains or earth, or on a special slate with a bamboo pen. The lirst word to be written is generally 'om', believed to be the first sound uttered at the beginning of the creation, or an ode to 'Sn Ganesha', the god who removes obstacles. Among occupational groups a little boy may be ceremo mously initiated into the craft of the family and the community
- 9 Confinement or seclusion can take various forms. The menstruating girl may be confined to a corner in the back part of the house in a dark room, to a hut made with hamboo and different kinds of leaves, to a shade away from the house made with nine kinds of leaves, or there may be just a symbol of such a shade for which nine kinds of leaves are woven together and kept near the leaves, with a few grains of rice spread underneath the seat, as among the brahmins of Andhra Pradesh The important aspects of confinement of a menstruating girl are to avoid causing pollution to others, to be protected from the possible effect of evil eye, and to be out of sight of men, away from

their gaze.

- 10 I have benefited greatly from some recent articles dealing with puberty rituals Pauline Kolenda 'Women as Tribute Woman as Flower Images of Woman in Weddings in North and South India, American Ethnologist, Vol 11, No 3, (1984), Denis McGilvray, 'Sexual Power and Fertility in Sri Lanka Batticaloa Tamils and Moors' in Ethnography of Fertility and Birth, (ed) Carol MacCormack, London Academic Press 1982, and Deborah Winslow, 'Rituals of First Menstruation in Sri Lanka', Man (NS), Vol 15, No 4, (1980), 603-25
- 11 See Lynn Bennett, Dangerous Wives and Sacred Sisters. Social and Symbolic Roles of High Caste Women in Nepal (New York Columbia University Press, 1983), 234-242
- 12 For Bengal see Mazumdar (Note No 5)
- 13 My emphasis on the inescapability of mar riage for girls should not be understood as freedom from compulsion for young men to get mairied. They too are under pressure for marrying within the acceptable boun daries and more importantly to bring dowry to contribute towards the expenses incurred on their own education or in the marriage of daughter(s) Marriage of a son is necessary to continue the family line. In the case of guis, however, their placement in a group depends on marriage and an un married status runs the risk of tarnishing the reputation of the family The propor tion of unmarried, married, and widowed in tics and females in the population is in dicative of different noins for guls and boys
- 14 See Jyou Mhapasekar Mulagi Jhali Ho (A Gul is Born) in Marathi (Bombay Gran thali 1984) The translation is mine
- 15 Krishna Kumar 'Cirowing up Male', Seminar 318 (February 1986), 21 23
- 16 See Johanna Lessinger, 'Work and Modes ty The Dileinnia of Women Market Traders in South India, paper presented at the Regional Conference for Asia on Women and the Household, New Delhi 1985 Forth coming in Kinship, Production, and the Household, (eds) Leela Dube and Rajni Palriwala (New Delhi Sage, 1988)
- 17 See Vibha Parthasarathy, 'Socialisation, Women and Education An Experiment' in Socialisation, Education and Women, Explorations in Gender Identity, (ed) Karuna Chanana (New Delhi Orient Longman, 1988)
- 18 Needless to say, this description of division of work, based on conceptions of masculine and feminine tasks, has specific reference to the domestic scene it does not apply to paid work outside one's own home
- 19 The argument of this paragraph was developed in discussion with Saurabh Dube and was set out in a paper we did together on 'Women in India, Hinduism, and the Category of Politics' for a Symposium on Women, Religion, and Politics organised by IPSA' Research Committee on Sex Roles and Politics and ISA Research Committee on Women in Society prior to the Eleventh World Congress of Sociology, New Delhi, August 1986.

## RALLIS INDIA LIMITED

It is hereby notified for the information of the public that RALLIS INDIA LIMITED proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under Sub Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act 1969 for establishment of a New Undertaking Brief particulars of the proposal are as under

Name and address of the applicant

Rattis India Limited Ralli House 21 DS Marg Bombay 400 001

2 Capital structure of the applicant organisation

Capital structure as on 1st November 1987 **AUTHORISFD** Ordinary Shores of Rs 10/ each fs 10 00 00 000

ISSUED AND SUBSCRIBED Ordinary Shares of Rs 9 59 30 700

Management structure of the applicant organisation indicating the names of the Direc tors including Managing/Wholetime Directors and Manager if any

Mr DS Seth Dr FA Mehta Mr YN Mafatlal Mr VN Nadkarni Mr S Parthasarathy Mr DR Peters Mr H J Silverston Mr JK Setna Mr VJ Sheth Dr Ram S Tameja Mr RD Thomas

Cha rman Director Director Director Director Director Director Director Director Director Director

Rs 10/ each

Indicate whether the proposal relates to the establishment of a New Undertaking or a New Unit/Division

5 Location of the New Undertaking/Unit/Division

The proposal relates to the establishment of a new undertaking The new undertaking i propos

ed to be set up at Village Pthampur Dist Dhar (MP) Same as in (2 above

- Capital structure of the Unit/Division/ Undertaking
- In case the proposal relates to the production storage supply distribution or marketing or control of any goods/articles indicate (i) Names of goods/articles

(II) Proposed Licensed Capacity (iii) Estimated annual Turnover

Programable type not reserved for small scale units 50 000 Nos per annuir 30 000 nos per annum aggre gating to Rs 1800 lacs

Domestic Washing Michinis of

In case the proposal relates to the provisions of any services state the volume of activity in terms of usual measures such as value income turnover

Cost of the project

Scheme of finance indicating the amounts to be raised from each source

Not apply ably

Rs 349 lacs

Rs lacs Debenture s Financial Institutions (rupee loans) 170 internal resource 152 4º

Any person interested in the matter may make a representation in quadrup! ate to the Secretary, Department of Company Affairs, Government of India Shasur Bhavar New Delhi within 14 days from the date of publication of this notice intimating his views on the proposal and indicating the nature of his interest thereon

Dated this 20th day of April 1988

RALLIS INDIA LIMITED B K LASKARI COMPANY SECRETARY

# Women's Dimension in Psychological Research

# **A** Critique

U Vindhya Sudhakar V Kalpana Rao

The women's question in India has not engaged the sustained and meaningful attention of contemporary scholars in the field of psychology and has more or less remained 'invisible' as a theme of research. The present paper is a critique of psychological research on women. An attempt has been made to show how psychology has dealt with women's issues in a tokenistic manner and how such research is based on questionable premises. Specifically, two themes of research which are most commonly indulged in by psychologists have been considered. (1) sex differences in a number of psychological variables and (2) sex role conflict.

WITHOUT going into the history of the emergence of women's studies as a legitimate focus of social enquiry it can be said that there has almost been an explosion of new information about women in India from the last decade or so. This upsurge of interest has to be viewed in the context of the follow ing factors (1) the growing crisis in our society with increasing inequality poverty and assault on people's fundamental civil rights and popular struggles against political oppression (2) the alarming spate of violent crimes against women, (3) the concern with the population crisis and (4) the interest shown in the third world countries by international development analysts and the awareness that women have a crucial role to play in the promotion of equality, develop ment, and peace [Mazumdar 1965] The widely acknowledged report Towards Equali ty, submitted by the Committee on the Status of Women in India (1971 74) is another contributory factor which triggered off recognition of women's devaluation and invisibility

Social scientists are attempting to incorporate a women's perspective in mainstream research with the conviction that such a perspective will lead to a more balanced and critical understanding of social reality. Already since the last decade efforts are being made to understand women's roles in relation to work, poverty and development in our society. Empirical data obtained on poor women, rural women women working in the informal sector and the kind of social and family violence perpetuated on women has highlighted class caste and gender linkages which devalue the work and contribution of women to society.

I

With reference to psychological studies the main concern of this paper, researchers in lidia have infortunately retained their myopic approach to women's issues. This paper does not, of course, attempt at any review of all the studies concerned with women but even a rough survey indicates that the studies are scattered suffer from a lack of a cleir conceptual framework and fail to relate to societal issues. One is also struck by the fact that there is a lack of sus

tained pursuit of any one variable or a mean ingful group of variables. There is a lamen table paucity of follow up studies to verify previous findings and build them up into a cohesive, theoretical framework to under stand the Indian social reality.

In spite of the absence of a visible trend one inescapable leature which emerges is the zealousness displayed by psychologists to establish differences between sexes over a range of personality traits cognitive factors and motivational patterns. These variables range from psychomotor performance [Mohan and Bhatia 1985] study habits 1985] sensation sceking [Ravindranath and Anantharam 1981] creativity [Dhaimangadan, 1981 Jain and Tiwaii 1984 Jarial and Sharma, 1981 Pandey and Pandcy, 1984], religiosity [Helode and Dable, 1980, Tiwari, Mathur and Morbhatt, 1980], value patterns Anantharaman 1980, Chakraborthi and kundu, 1981], frustration modalities [Sharma and Nagaich, 1983], adjustment [Bharadwaj, 1985, Mohan and Single, 1982], paired associates learning [Verma, 1978], finstration in Muller Lyer illusion [Pandey and Iha, 1984], self actualisation [Mathur and Satapathi, 1980], anticipat on of time [Misra, 1980], open mindedness vs closed mindedness [Reddy, et al, 1980], reaction time [Hasnain and Singh, 1984] to colour consciousness [Mathur and Kalia, 1984] It is evident from this brief run down that sex differences have been documented in mostly disparate variables which represent only a miniscule part of reality and have little rela tion to the problems faced by the large masses of people in our country today For instance, notwithstanding the merit that reaction time or Muller Lyer illusion or paired associates learning have as ex perimental variables, in which way does the establishment of sex differences in such variables further the understanding of human problems in contemporary times in general or gender inequity problems in particular?

Ħ

What is wrong, one may ask, in pursuing sex differences? After all, McClelland, the pioneering psychologist in the area of

achievement motivation had stated that psychologists have found sex differences in their studies Ironi the moment they started doing empirical research' [1975, p 81] We feel, since this difference cannot be simply stated without qualifying it as 'better' or worse' norms based on male observations and experiences tend to be employed and psychologists are inclined to regard male behaviour as the norm and female behaviour as some kind of 'deviation' from that norm Further sex differences are merely 'explained' in terms of the inevitability of sex role orien tation. Thus most of the research on sex differences is based on the assumption that these differences matter and that they matter more than sex similarities. On the contrary several feminists have argued that the search for sex differences inevitably serves to magnify them and obscures the fact that they may simply be conveniently stereotyped extremes of broadly overlapping potentialities and functions For instance, the manner in which small average differences have been exaggerated to dichotomies is illustrated in the much publicised differences in cognitive abilities like mathematical/spatial skills Such an approach commonly resorted to by psychologists serves not only to reinforce and perpetuate the existing male dominated values, but underplays the importance of gender inequities as a social problem. As Gilligan [1979] aptly noted "At a time when efforts are being made to eradicate discrimi nation between the sexes in the search for equality and justice, the differences between the sexes are being rediscovered in the social sciences" (p 432)

Notwithstanding McClelland's statement regarding the ubiquity of sex differences, several researchers have referred to the inconsistency of sex differences in empirical data, colourfully described by Unger [1981] as "now you-see them, now you-don't" effects For instance, Maccoby and Jacklin [1974] on the basis of a review of 1600 studies in the west concluded that there was relatively little consistent evidence of differences between the sexes in the psychological domain. Another review by Pleck [1975] is also supportive of this conclusion Commenting on the cognitive gender differences which have been stressed by some

researchers, Sherman [1978] and Hyde [1981] have pointed out that even for these supposedly 'well established' differences, the magnitude of the difference between sexes is very small Although inconsistencies in sex difference research have been attributed to the use of different rhethodologies [Unger, 1981], a more basic explanation, from an alternate perspective is that the occurrence of gender differences is determined by the social context of behaviour, by the cues and relevant rewards/reprisals which are available for 'inale' and 'female' role behaviour—a focus that is often ignored by psychologists [Lott, 1985]

Further, since women and men are differentially distributed across situations one must take cognisance of the fact that the same person may behave in a different fashion in various situations. In fact, by using multiple contexts, it has been found that the widely acknowledged stereotypic assumptions—women are less aggressive, more influencible and less self-confident than men—are disproved [Frod et al, 1971, Fagly, 1978, I eney, 1977]. Behaviour patterns which have been typically characterised as feminine thus may emerge only in certain situations and not in others.

Mere enumeration of sex differences without considering situational variations and the complexity of gender relations can only lead to an incomplete analysis of women in society. However, it appears from our brief survey of studies in India, that psychologists here have persisted in their chase of sex differences, whether they have surfaced incidentally in the course of data analysis of whether they have been the locus of their hypotheses.

#### III

Let us now sec what has been the locus of the studies which are exclusively concern ed with women Investigations in this area have mainly focused on issues like childrearing practices among working women Seth and Bhatnagar, 1979, Singh and Arora, 1980], role conflict in working women [Gupta and Ganguli, 1982, Mohiuddin, 1978, Mukher jee, 1977] and sex role orientation [Gupta, Rao and Murthy, 1985, Hundal, 1981, Sahoo, Rout and Rout, 1985] Features that characterise such studies can be dealt in terms of (1) sample selection, and (2) conceptual concerns An overwhelming majority of the studies have confined themselves to an investigation of one particular category of women educated, employed, urban, middle and upper class Preoccupation with this selective sample primarily rests on two reasons (1) adherence to the modernisation theory and (2) easy access to such a sample.

The modernisation theory assumes that social change takes place owing to a diffusion of certain values and attitudes initiated by the elite of the society and subsequently trickling down to the lower sections. The corollary of this theory is that it is the educated and employed women from upper classes who are on the threshold of moder-

nisation and, therefore, in the forefront of changing roles and attitudes within the larger society, and who are and who will continue to be leaders of public opinion

The rationale behind this argumeni is that employment and the resultant change in role and attitudes for women make them the heralds a shift to a better status. Hence, the concern with women of the upper classes, the first and foremost beneficiaries of the modernisation piocess. The fallacy behind this approach cannot be disregarded because of the grip it has on current sociological as well as on psychological studies. There is very little objective evidence to warrant the assumption that education and employment are the prime movers of women's status [Ahmad, 1979] The teeming millions of poor women from both rural and urban areas have been unceasing workers all their lives and their status has always remained low The relationship between education and employment is also questioned when we con stder that the large masses of these working women are illiterate. Further, the view that the beneficial effects of modernisation seep through to all classes has been held dubious in the light of the present reality that prevail ing models of development have had an adverse impact on women in pooter house holds [Boscinp 1970, Shaima, 1985]

A second reason why psychologists continue to focus on educated employed women is a practical one and perhaps over rides the other two 'conceptual' reasons it is because of the easy access to such women who have similar class background, talk the same language, have a similar set of problems, similar level of articulation as of the researchers, that we persist in our examination of the psychological characteristics of these women alone

Apart from the selectivity of the sample, some of the theoretical constructs on which research on women is based appear to be flawed Particularly relevant here is the sex role theory which is again linked in a way to the modernisation model Academic research in the west has leaned heavily on the functionalist framework of role theory, whose origins can be traced to the work of Margaret Mead and Talcott Parsons Their approach to gender relations has been in terms of the social character of gender with emphasis on stereotyped expectations for women's and men's behaviour Thus forma tion of personality takes place through learning of 'roles' and their internalisation women become feminine by learning the 'female role' Further, roles are learnt through im portant agencies of socialisation like parents, teachers, the media and so on What flows from this view is that the traditional female role which primarily consists of being a wife. mother and home-maker is in direct contra diction to the 'modern' role of an employed woman Thus the ensuing psychological disturbance and role conflict with the onset of modernisation has been the continuing theme of research both in the west and in India, both in sociological as well as in a smaller number of psychological studies

It would be worthwhile here to elaborate on the assumptions behind this kind of a preoccupation with role conflict. The role of a home-maker and nurturer for a woman is considered to be 'natural' and a source of gratification for her As such, when she ventures into employment, it is her role at the workplace (by viitue of it not being natural) that becomes stressful while the home is thought to be a stress free refuge and a protective shelter. The woman's role of wife, mother and carctaker of her family is said to fit together into a harmomous pattern while the role of a working woman is not only an inconspatible and extra one but is also burdensome, unnatural and harmful to her psychological health. To mention a few studies carried out analysing the abnormal traits of dual career couples | Srivastava and Srivastava, 1985] family adjustment problems of working and non working women [Chattacharjee and Bhatt, 1983], the impact of maternal employment on the creativity of children [Asha, 1983] their study habits IRao, Parvathi and Swammathan, 1983] and occupational aspir itions [Swaminathan and Parvathi, 1983] are illistrative of this theoretical orientation, that employment for women is out of the ordinary behaviour

Notwithstanding the sexist stereotypes prevalent both in the media and in social interactions, research based on sex role theory is inadequate because of several reasons Firstly, it is unable to explain the very emergence of roles except for invoking custom and tradition and maintaining that people choose voluntarily to designate a set of behaviour or functions appropriate for a person in a particular position and social context Secondly, as a social theory, sex role analysis has not been able to account lor social change. As Connell [1985] has pointed out in his critique, "The problem is rather that role theory cannot grasp social change as history, that is, as transformation generated in the interplay of social practice and vocial structure sex role theory has no way of grasping change as a dialectic arising within gender relations themselves" (p 263) Thirdly because of the social deterministic form of role theory whereby men and women are conlined to their respective male and female roles it has no scope for raising questions such as why women hold subordinate roles and low status positions in employment As Krishnaraj [1986] has questioned, 'If men and wonien play different roles how does it follow that women are subordinate' (p WS 67) Thus when the starting point for research is role stereotype and expectations, it loilows that studies on women tend to be restricted and reduced to a mere description of the manifestation and effects of employment. No attempt is made to probe further into a causalive analysis of the job covironment and the power equation between men and women. By emphasising the attitudes that lead to artificially-rigid distinctions between men and women, sex role analysis ignores how and why gender inequity has come about Especially, the economic political and domestic power that men hold over women is de-emphasised

Finally, role conflict is again a middleclass and a post-independence phenomenon in India and is illustrative of only a small segment of the Indian women population

A casualty of this role conflict is considered to be a low achievement motive for women They are said to lack the need to achieve in three related areas education, eniployment and income. Much of western psychological literature has been taken up with a construct called 'fear of success' to explain the low achievement behaviour as well as fow motive to achieve in women Matina Horner [1968] who pionicized this direction of research in US proposed the construct of fear of success to say that women, unlike men, deliberately limited their achievement in compensive situations Their reasons for doing so presumably in cluded fears of loss of feminity social isola tion and rejection by others. In other words, success in competitive situations nicant something unfeminine and thus to be avoid ed Further, it was held that females are not motivated to achieve per se and that their success in society is largely a function of a high need for affiliation. While men are considered to achieve because of an internalised desire to excel women are said to show a desire for social approval and affiliation Wtihout going into the different methodo logical and conceptual criticisms of this concept, it should be pointed out that low achievement behaviour of women in terms of low career success and low career involve ment is seen to be an outcome of a unique and inherent personality disposition owing to her sex role orientation with no reference to her subordinate status in society Psychological analysis has thus not gone beyond a scarch of some "pure state of motive to achieve" The same trend is reflected in Indian psychological research also Satvir Singh and his associates, for in stance, have carried out a series of investigations the results of which suggest that fear of success is a multi-dimensional construct positively related to intelligence, academic success, concern with intellectual pursuits, preference for activity and personality traits like sensitivity, sophistication, and imagination [Singh and Vanvaria, 1977, 1980, Singh and Kapoor, 1982] Furthermore, females are reported to have significantly more fear of success than males [Singh and Kapoor, 1982] Given such a positive profile, why should these women avoid success? The only explanation provided is that " females are more anxious, more timid, insecure, dependent and more concerned about social repute (and it is) confirmed not only by casual review of Indian culture and society, but also because the differences are well in accordance with the sex differences reported for many parts of the world" [Singh and kapoor, 1982] Thus the assumption, though nowhere stated by Singh, et al, explicitly is that women avoid success because of sex role training Since achievement demands aggressiveness and competitiveness, naturally

wome 1 tend to shy away because of their expressive nurturing role. This again leads us back to the cul de sac of sex role analysis. If we are satisfied with the explanation that it is all a matter of individual ability and that a woman lacks the motive simply because she is a woman, we are expressing unqualified approval of the status quo

Considering that nearly 90 per cent of the female work force in India is employed in the informal sector, what relevance does fear of success has for these women, who, because of occupational and sexual «gregation, have no choice but to remain at the lowest rungs."

### I۷

This being the scenario of sonic of the serist assumptions in psychological research, the question now arises how has feminist theory grappled with them? It is beyond the scope of the piesent paper to go into the range of feminist scholarship or the debate within social sciences regarding the interpretation of women's experiences. We would only like to mention some of the alternatives presented from the women's perspective with regard to the issues raised earlier.

The invisibility of women in all disciplines has been an early and recurrent theme of leminist criticism. I other they have been ig nored totally or if considered at all, defined exclusively in terms of their relationship to men which becomes the source from which temale stereotypes originate and are sustain ed Probably psychology holds the dubious distinction of having viewed women at length—as 'deviants' or 'neurotic and 'in complete' versions of men [Brovei man et al 1970] By tocusing on patriarchal ideology as the source of such a portrayal of women feminist thought has highlighted female alienation in a male world. It has challenged the assumption, central to psychology that the human personality is formed by culture and that they are mutually supportive Rather, it is only the male character structure and patnarchal culture that mutually sup port each other through prevailing social, political and economic institutions. Women grow up in social contexts wherein they are controlled and culturally devalued by men In order to maintain the consistency of this approach to self and society, women's 'de viance' is explained in terms of their natural inferiority Feminist scholarship, by rejecting this notion of natural inferiority and by focusing on the marginalisation of women in social sciences has suggested an alternate and critical approach to social knowledge that emphasises the oppositions and contradictions in a man-made world rather than the coincidence between persons and social environments [Cott, 1978] Not only has the feminist perspective been concerned with the material base of man's control over women but it has also brought out the cultural and psychological aspects of female devaluation. For instance, Dinnerstein [1976] in her book The Mermaid and the Minotaur and

Chodorow [1978] in *The Reproduction of Mothering* have shown how family organisation influences the devaluation at psychological and often unconscious levels

Further, it is the burgeoning field of women studies that has pointed to the need for considering gender as an analytical category in research. The concept of gender has been recognised as cultural and distinct from sex which is merely biological Gender is created by the social structure and should be seen as a system of relationships rather than as a set of psychological traits Kalpagam [1986] highlighting this view stresses that " the division between female and male is sociafly created and is deeply woven into the organisation of institutions and of everyday life" (p 59) Psychological research, both in the west and in India. which treats gender as primarily a collection of dispositional traits stemming from the biological fact of sex cannot then go beyond documenting sex differences in various dimensions. It is thus the feminist recognition of gender as a cultural creation with its various social, political and personal famili cations that is likely to shift the perspective in our research and yield new insights. As Lott [1985] has pointed out, gender dit ferences then, will centre around only the few "biological imperatives of sex."

Teminist scholars have also exposed the fact that women's low achievement success is not due to any inherent personality traits Rather it is the material determinants of societal structure that are responsible. Jean Lipman Bluemen [1976] and Sheila Rothman [19/3] for instance, have attempted to explain women's subordinate status in the occupational sphere in terms of their sex ual segregation. The crux of their argument is that males occupy a predominant position because of their total control of all resources in society. The labour market, employers, the legal system and the political sphere-all act in unison to reinforce the dominant hierar chy of men by segregation of the employ ment domain as well as other domains of social life. The well developed peer networks of men also serve to marginalise women in the occupational structure

Going a step ahead, Jean Miller [1976] has shown how this kind of a subordination atfects women's personalities. Her contention is that the power base of a dominant group has the greatest influence on the moral and social framework of a particular culture Thus it is because of this power of the dominant group that the powerless condition themselves to behave and interact in ways that will please their masters. Therefore, Miller points out, it is the past condition ing and fear of punishment from the power ful that make women, the subordinates, avoid autonomy and success, rather than any unique personality disposition. Locksley and Colten [1979] have argued that sexappropriate behaviour normally receives psychological and material rewards while sex-inappropriate behaviour incurs heavy costs However, sex-mapproprlate behaviour

turns out to be distinctly disadvantageous for women since female stereotypes are in fact male creations based on role-defined male-female relations.

It is in fact, the influence of the feminist perspective on the social sciences that has resulted, as Bleier [1984] argues, in the recognition that "Hierarchies, relations of domination, subordination, power and control are not necessarily inherent in nature but are an integral part of the conceptual framework of persons bred in a civilisation constructed on principles of stratification" (p 200).

#### V

One point to be borne in mind is that in our attempts in bringing the visibility of women to the fore, we should not however, minimise the danger of reducing studies on women to mere academic fads. In fact considering the current interest generated on women, because of the global debate as well as liberal funding, concern has been expressed about the possibility of women being exploited as mere sources of abundant data and commodities in the academic market. Such a situation would merely reduce women studies to mere studies about women and not for women. In this context Westkott [1979] has aptly remarked "A social science for women does not exclude information about women, but informs the knowledge it seeks with arr-intention for the future rather than a resignation to the present... (it) stands in opposition to the present conditions of the cultural domination of women and is indeed rooted in these conditions. This dialogue with a future suggests a social science that is not simply a doleful catalogue of the facts of patriarchy but an opposition to the very facts that it discovers" (p 428).

In corclusion we wish to emphasise that devaluation of women and its roots in social processes and structures has not been considered by psychological research in India. It has not attempted either to probe into how patriarchal relations arise from the ideological stranglehold of women's oppression or to focus on the changing forms of gender domination as well as oppression under different conditions of economic growth. We feel the way in which significant issues of the woman question have been obfuscated reflects certain limitations of psychological research as it is conducted in India. Notable among these limitations are (i) inability of the research here to free itself from the ideological constraints of colonial thinking and (ii) piecemeal empiricism.

By merely highlighting and elaborating differences between sexes in their research, psychologists have been legitimising such differences in the social context and by occupying themselves with descriptive accounts of a select women's personality traits, adjustment and so on, they are fragmenting and trivialising the subject further.

A shift from the 'received perspective' derived from a priori view of knowledge to a 'dynamic perspective' which places

knowledge in its social context and enquires into its legitimacy can perhaps make psychology sensitive atleast to the nuances of the woman question.

Finally, viewing the woman question from the women's perspective and not from the standpoint of any one single discipline provides relative freedom to the researcher to move between disciplines and across disciplinary frontiers so that a multi-faceted picture of women's subordination emerges.

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# The Virangana in North Indian History

# Myth and Popular Culture

### Kathryn Hansen

The pattern of women's lives and their orientation to social reality are significantly shaped by the models of womanly conduct set out in stories, legends and songs preserved from the past. The epic heroine type—the sacrificing, chaste loyal wife—is viewed as representing the ideal for female behaviour at least among the high Hindu castes. Hindu mythology also offers another female paradigm—the all powerful mother goddess. Between these polarities lies an overlooked and yet important alternative paradigm of Indian womanhood, the vitangana, the woman who manifests the qualities of vitya or heroism.

IN India as in other societies, historical and mythological accounts of heroic behaviour frame paradigms which assist individuals and groups in defining their identities, in culcating values to the young, and judging the actions of others. Women as well as men are powerfully influenced by the exemplars of their culture. The patterns of women's lives, their expectations and ideals, their orientation to social reality, are significantly shaped by the models of womanly conduct set out in stories, legends, and songs preserv ed from the past. Even the contemporary im ages of women promulgated in the mass media cineina advertising, popular music-owe much to the prototypes of womanliood inherited from older sources Moreover in countries like India, these sources are sauctified by their great age and prestige I iterary masterpieces such as the cpics Ramavana and Mahabharata among other repositories of ancient fore, continue to provide lessons to today's women and men with an authority that even the tech nologically sophisticated current generation accepts 1

The nature of these culturally embedded images and their ideological dominance in women's lives has been an issue for women's activists in both India and the west Madhu Kishwar, one of the pioneers of feminist journalism in India in the 70s and 80s, expresses dismay at "the pervasive popular cultural ideal of womanhood" conveyed through mythic role models

It is woman as a selfless giver, someone who gives and gives endlessly, gracefully, smiling ly, whatever the demand, however unreasonable and harmful to herself. Sita, Savitri, Anusuya and various other mytho logical heroines are used as the archetypes of such a woman and women themsleves are deeply influenced by this cultural ideal.<sup>2</sup>

Kishwar, while acknowledging the tenacity of such mythological antecedents, urges that indigenous cultural traditions be reinterpreted and appropriated by the women's movement rather than be rejected from a western modernist standpoint. Thus she asserts, "Our cultural traditions have tremendous potential within them to combat reactionary and anti-women ideas, if we can identify their points of strength and use them creatively".

In the west, feminists such as Andrea

Dworkin have analysed the attitudes towards women contained in the common fairy tale heroines Snow White, Sleeping Beauty, and Cinderella, all of whom, she declares "are characterised by passivity, beauty, innocence, and victimisation" These heroines figure largely in the reproduction of a culture which diminishes women, from generation to generation

In the persons of the fairly tale—the wicked witch the beautiful princess the heroic prince we find what the culture would have us know about who we are

The point is that we have not formed that ancient world—it has formed us. We ingested it as children whole, had its values and consciousness imprinted on our minds as cultural absolutes long before we were in fact men and women. We have taken the fairy tales of childhood with us into maturity, chewed but still lying in the stomach, as real identity.

For Dworkin, the woman hating stance displayed in the tairy tale leads directly to the exploitation of women found in literary and cinematic pornography. In response to this type of analysis, some feminists have begun to rewrite the traditional European fairy tale corpus with the non sexist education of children in mind. Suniti Namjoshi's Feminist Fable's provides a parallel example of an adult oriented reworking of tales from various traditions.

The mythic female figures most often identified in India are the well known heroines Sita, Savitri, Anusuya, and others The classical epics are the texts which pro vide authoritative references for them, but the stories are actually transmitted to most people through vernacular retellings, folk versions in traditional genres of song, dance or drama, or in the urban areas, comics, pic ture books, cassettes, records For villagers, the 'texts' are usually performances of theatre, music, and dance which recreate the stories in a ritually charged atmosphere Recently scholars have begun to examine more closely the contexts which elucidate the significance of the text to the participants. and there is a new appreciation of the wide range of meanings which an epic character or story may acquire within varying social and performative circumstances 6

The epic heroinetype—the sacrificing, chaste, loyal wife—is viewed as representing the ideal for female behaviour at least

among the high Hindu castes. The ideal may be tar from the reality as experienced by many women. However the prescriptive force of the epic heroines is such that few can escape then example. The story of Savitri for instance, teaches unswerving devotion to the husband which if faithfully practised can endow the wife with supernatural capacities even the power to bring back the dead. Passive endurance in adversity is the lesson imparted by Sita, heroine of the Ramayana who follows Rama into forest exile Willingness to suffer even selfimmolation for the preservation of the hus band's honour is enjoined by the examples of Sita's fire ordeal as well as the self sacrifice of Sati wife of Siva In each case, the self abuegation and subservience to the husband are seen to bestow power upon the wife This power may be used for various ends but customarily it is directed toward the welfare, long life, and good name of the husband and the couples offspring, particularly the sons. The epic stories do not portray women as powerless, but define their power as derived from self effacement in a relationship of subjugation to the male

Hindu mythology offers another important female paradigni which contrasts with the wifely ideal namely the mother goddess. The goddess whether manifest in her benign aspect as Lakshmi or Parvati, or in her more menacing form as Kali or Durga derives her power fundamentally from her relationship as mother rather than as spouse, a role in which she exercises distinctive female control through the ability to generate and nurture life. Ouiside of folk religion however, her power is often subveited or leashed by subordination to a male deity. Thus each god is matched with a consort who is understood as his activating energy or shakte, Philosophically the ridividual goddess consorts may be subsumed under one universal energy principle or shakir, of which they are considered manifestations

The Hindu recognition of an underlying teinale principle has impressed some observers as a more positive formulation of woman's place in the cosmos than that offered by the Judeo Christian tradition. Joanna I iddle and Rama Joshi go further to connect goddess worship with a strong self-image of women and a matriarchal world-view in India.

The worship of the mother goddess does not constitute a matriarchy, but it does constitute a matriarchal culture in the sense that it preserves the value of women as life givers and sources of activating energy, and it represents the acknowledgement of women's power by women and men in the culture 8. They maintain that the goddess empowers women to act iii a strong and assertive manner 9.

The feminist movement in the west has sparked a renewed interest in goddess figures from various cultures, together with an agen da of reconstructing women's spirituality to free it from the patriarchal premises of the major world religious. It is not surprising to find a revaluation of the Hindu goddess also underway among feininists in India The use or goddess imagery to identify women's concerns is taking place as in the title and logo of the publishing collective 'Kalı for Wonten The word shaktı has been incorporated into the Indian women's move ment, eich as its imbignity is implying 'power' or cuciey and also referring to the Great Godde's

The question remains to what extent have the traditional forms of goddess worship alfeeted the society's attitudes toward women? Does the goddess serve to enhance women's status? Were goddess cults connected in their evolution to women's experience or selfperception? Does the goddess function as a model for emulation? These are large ques tions which cannot properly be addressed in this essay. However a heuristic distinction may be tentatively proposed between the mother goddess a powerful transcendent figure accessed through propitiation, and the epic wife heroine a gender specific role model available for imitation. In Sandra Robinson's terms, the Hindu goddess's func tion may be viewed as primarily revelatory, in contrast to the role played by the cpic heroines as exemplar) women 10

# THE VICTOR AN ALTERNALIVI PARADIGM

Between the polarities of sell elfacing wife and all powerful mother hes an overlooked and yet important alternative paradigm of Indian womanhood the virungana, the woman who manifests the qualities of virva or heroism. The virangana seems to be a paradox within the normative categories for gender in high caste north Indian society She is a valiant fighter who distinguishes herself by prowess in warfare, an activity normally reserved for men. She demonst rates her martial skills and courage by direct participation in combat, at the risk of her life in fact sometimes she dies in battle or takes her own life on the battlefield to avoid ignominious defeat. She is a leader of women and men acting as head of state dur ing peace and general in time of war She adopts male attire, as well as the symbols of male status and authority, especially the sword and she rides a horse. The virangana is dedicated to virtue, wisdom, and the defence of her people Above all, she is a fighter and a victor in the struggle with the forces of evil

The evidence for the virangana is derived first of all from the historical record, which documents the existence of outstanding queens in various regions of India since ancient times Folklore and mythology provide many other examples of women of this type, espectally the non elite forms local legends. folk theatre, popular song The twentieth century descendants of the virangana are represented in the valiant women of the popular cinema and in the 'bandit queen' These heromes are also the topics of comic books, children's literature, and school texts The virangana ideal has been adopted by political and social reform movements and the prototype has undergone change with historical and cultural developments. The abundance of examples suggests that the viranguna while not the dominant norm for the high castes of north India, has had a continuous presence for many centuries as an alternative female paradigm. It is a uni que vision of womanhood, combining direct assumption of power with exemplary virtue

F xamples of the virangana exist in many parts of India and one suspects that the type, if not the nomenclature, is not restricted to the south Asian sub-continent. The wairior woman was undoubtedly a more common phenomenon in the tribal cultures situated on the periphery of the central Indian cultural zone, particularly in the matrilineal cultures some of which existed before the ad vent of the 'ndo Aryans and still flourish in the mountainous areas However, this article will confine itself to examining the virangana in north India, primarily in the Indo Gangetic plain, although this means neglec ting lamous tigures such as Rani Chennam ma of Karnataka For the sake of economy. omitted also is the ancient period of Indian history the focus is on the medieval and modern periods, beginning with the arrival of the Muslims around 1000 AD Hence the picture to be sketched may be magnified to fit the broader canvas of south Asia, yet in itself it tells much about the counter culture of womanhood that existed and still exists in the heartland of Sita and Savitri

### WARRIORS AND QUEENS

The number of women who played prominent roles in the political history of north India is probably larger than is ordinarily acknowledged, especially if the influence of wives, mothers, and sisters upon ruling males is included. Our object here is not to newrite the history of these women but rather to consider the most visible women in power, those who became rulers of kingdoms and/or defended them These exceptional ligures have retained a strong grip on the Indian imagination, and have been celebrated in stories, legends, poems, and songs down through the ages What follows is only a brief outline of some of the most famous viranganas of north Indian history No attempt has been made to delve into primary historical documents and resolve the controversies regarding the events that took place during their reigns. The synopses given here are derived from secondary materials such as Madhavananda and Majumdar's Great Women of India (1953) and also from the popular accounts found in Amar Chitra Katha comics, children's books in Hindi, and folklore sources as noted. This then is a popular history of India's queens, as remembered by the people

Razia Sultana was the first and only woman of the Sultanate (or any later period) to ascend the throne at Delhi. She was the daughter of litutmish the powerful ruler of the Slave dynasty Her father had a special fondness for her as a child, and trained her himself in politics and affairs of state. She was well-versed in the Quran, knew several other sciences, and demonstrated her mar tial courage in various campaigns early in life She was chosen over her brothers to take charge of the administration for several years while Iltutmish conducted military excur sions to the south. Her tather then desig nated her hell apparent on the basis of her competence and experience and following his death, she established herself on the thione even though her mother supported the claims of her brother Ruknuddin Firoz

Razia's accession raised questions about the right of females to enjoy sovereign power a practice known to the Turks and Persians but new to India. For some time Razia was able to neutralise the factions which challenged her authority. She appeared daily on the imperial throne in male attire. According to Sir H Elliot "She discarded her temale apparel and veil wore a tunic and cap like a man, gave public audience and rode on an elephant without any attempt at concealment"11 She was involved in several battles against iebellions Turkish nobles and was finally captured and put to death while a prisoner. In all, she was the sovercign ruler for tour years (1236 1240)

Many of the characteristics of Razia's career are found in the later 11ranganas known to history her early tutelage by her father, her education in both the arts of war and the skills of reading, writing, and administration, her rise to power at the death of a male kinsman, her reputation as a wise, just and generous ruler, her assumption of male costume and perquisites of royal office, her military leadership and valour in defending her kingdom against enemies, her death in battle But while Razia was named heir-apparent by her father, it was more common for royal women to ascend the throne while serving as regents for their underage sons Queen-regents ruled among the Rajputs, Muslims, Marathas, and Gonds, as we shall soon see.

What is significant about the queen regent is the rejection of the practice of sati, ritual suicide, implied in this role. These queens chose not to immolate themselves upon their husbands' deaths, defying the code of female

Virtue through self-sacrifice. Instead they assumed power and ruled in place of male offspring until the age of majority (and sometimes beyond). Several stories of such queens emphasise the decision to forego sati, with its promise of earthly prestige and spiritual liberation, for the greater obligation of serving one's family and one's people in the face of hostile threats.

Once in office, such queens did not stint in the defence of their kingdoms. When Samar Singh of Chitor was vanquished inthe second battle of Tarain against Muizuddin Muhammad in 1192, his queen Kurma Devi stood in for the minor heir, Karan. Possessed of military valour and skill in administration, she "nobly maintained what his father left. She headed the Rajputs and gave battle in person to Kutubuddin, near Amber, when the viceroy was defeated and wounded." 12

A similar story is that of Rani Durgavati, a favourite judging from the amount of detail included in the various sources. Rani Durgavati, ruled among the Gonds of what is now Madhya Pradesh at the time of the emperor Akbar. The sources differ as to her origins, but several say that she was the daughter of the Chandella Rajput chief of Mahoba. Father and daughter were fond of riding and hunting together. Her marriage to Dalpat Shah, the king of Gondwana, represented an unconventional alliance, and this element has been used to construct a modern-day image of her as a high-minded, forward-thinking reformer, struggling with the society's prejudices and the opposition of a caste-conscious father. Soon after she gave birth to a son, Bir Narayan, her husband died and she became regent. 13 Early on, she had to face several attacks on her kingdom, and she successfully repulsed the incursions of Baz Bahadur of Malwa. The legends about her skill in tiger-hunting appear to have their origin in Abul Fazl's account. "She was a good shot with gun and arrow, and continually went a-hunting and shot animals of the chase with her gun. It was her custom that whenever she heard that a tiger had made his appearance she did not drink water till she had shot him?"14 She was also known for her wise counsel and munificence, and while she ruled there were no rebellions in her kingdom.

Durgavati's challenge came with the advance of Akbar's imperial army under the leadership of Asaf Khan. Cloaked in armour, mounted on an elephant, "with her bow and quiver lying by her side and with a burnished lance in her hand, the Rani herself led the troops," even in opposition to the advice of her officers. 15 She inflicted two defeats on the Mughal invaders, but in the third contest her badly outnumbered forces became demoralised when her son was wounded, and they deserted the field. At this point, Durgavati continued the fight on her elephant, sustaining a series of wounds, and she finally stabbed herself when capture seemed imminent. Thus ended her fifteen or sixteen years of regency, and according to the Central Provinces Gazetteer, her death in 1564 was "as noble and devoted as her life had been useful?" 16

While Abul Fazl celebrated the virtues of Durgavati in the Akbarnamah another queen-regent of the same period, Chand Bibi of Ahmadnagar, also resisted the Mughal advance and was lauded by generations of historians as well as luminaries like Annie Besant. As she reigned in the Deccan, outside the geographical focus of this essay, we will only recapitulate a few points which link her with the other viranganas. Daughter of Husain Nizam Shah and sister of Burhanul-mulk, she was well-trained in Arabic and Persian and spoke several Deccani languages. She participated equally with her husband Ali Adil Shah in both military and administrative affairs while he was alive, and when he died, she succeeded to the throne of Bijapur and became regent for his nephew. One famous anecdote relates to the siege of the Ahmadnagar fort by the Mughals shortly before her death in 1599:

Once, when a portion of the rampart was blown away by mines laid by the besiegers, she tushed out of her palace barefooted with a number of trusted followers, a veil on her face and a naked sword in her hand, and rallying her men succeeded in repairing the damaged wall overnight. 17

In honour of her bravery, the Mughal prince Murad bestowed on her the title Chand Sultana, and withdrew his troops. Like Razia Sultana, she fell victim in the end to dissensions among her own nobles.

The story of Tarabai, wife of Prithviraj, as recounted in Colonel Tod's Annals and Antiquities of Rajasthan, offers an example of the valour achieved by certain Rajput queens in the sixteenth century. Tarabai was the daughter of a deposed chief, Rai Surtan, whose lifelong ambition was to regain his kingdom at Thoda. Trained by her father in sports and the use of the bow and spear, at fourteen, "scorning the habiliments and occupations of her sex, she dressed pretty much like her father's cavaliers, learned to guide the war-horse, and to throw with unerring aim the arrow from its back even while at full speed"18 Tarabai and her father made an attempt to recapture Thoda from the Afghans but failed, and subsequently it was declared that whoever accomplished the dced would win her hand in marriage, Prithviraj's brother Jaimal proceeded to court her, but when he tried to dishonour her in the palace, he was killed by her father. Prithviraj then stepped in and declared his intention to become her husband. Riding with Tarabai at his side, the two with only one cavalryman infiltrated a Muslim procession in Thoda and struck down the Afghan chief: Prithviraj dealt a blow with his lance while Tarabai delivered the fatal wound with an arrow from her bow. She then killed an elephant single-handedly, enabling the couple to escape safely. "The exploit . . . won the hand of the fair Amazon, who, equipped

with bow and quiver, subsequently accompanied him in many perilous enterprises;" 19 Tarabai did not rule in her own right, although she defended her kingdom on a number of occasions. When Prithviraj was later poisoned, she joined him on the funeral pyre as a satt.

The rule of Ahalyabai Holkar in Maharashtra in the eighteenth century lasted thirty years, and in this queen we find the virtues of just and efficient administration carried to the highest point. Married at the age of eight to Khanduji (or Khande Rao), son of Malhar Rao Holkar, Ahalyabai was trained for her future duties by her father-in-law rather than her father; "he coached her in the collection of revenue, writing of dispatches and in the management of the army. Many a time he also took her with him in his campaigns."20 In addition to learning to ride, wield weapons, and exercise the arts of statecraft, she was educated in the Hindu scriptures and later showed great interest in religious texts. Before she was twenty, her husband was killed during an expedition on which Ahalyabai, Malhar Rao, and Khande Rao had embarked. Ahaiya decided to become a satt, but Malhar Rao dissuaded her.21 She began to assume more and more of the responsibilities of rulership. Malhar Rao's death soon followed, and Ahalyabai's son Male Rao was named head of the government, but he was mentally unstable and died shortly thereafter.

Ahalyabai thus took complete control of the administration in 1765 and ruled until her death in 1795, assisted by Tukoji Rao, and adopted son who was in charge of the army. During the early stage of her reign, she prevented an attack by Raghoba by organising a regiment of women, preparing her troops for combat, and displaying herself in command, "directing four bows, with quivers full of arrows, to be fitted to the corners of the howdah, or seat, on her favourite elephant!"22 She also quelled uprisings by the Chandravat Rajputs and the Bhils, personally leading her forces. After these initial challenges, her country enjoyed peace for a long period. "The undisturbed internal tranquillity of the country was even more remarkable than its exemption from foreign attack," wrote Sir John Malcolm in 1832.23

She sat every day in open court, transacting business and discributing justice, investigating even the smallest appeals in detail. Unlike the other viranganus, she is not commonly pictured in male dress, but instead wore simple widow's attire, plain white clothing without any jewellery except a small necklace. Ahalyabai's rule was marked by an increase in the prosperity of her people, moderate raxation, stability in the ministerial ranks, the construction of highways, forts, wells, and temples, acts of charity directed to the poor and brahmins, and a high level of piety in her personal life. Lauded by the British as "one of the purest and most exemplary rulers that ever existed", Ahalya found favour among both Muslims and Hindus and is still revered in Maharashtra.<sup>24</sup>

The most famous virangana in north Indian history is also the closest to the present time. In Lakshmibai, Rani of Jhansi, is found the summation of the traits already discussed. Born in a Brahmin family from Nagpur, her father Moropant was a military adviser to the exiled Peshwa, and she grew up with Nana Sahib and Tantya Tope, her later allies, in the court at Bithur, learning military skills as well as reading and writing When she was married to Gangadhar Rao, the ruler of Jhansi, she brought her father with her. To Gangadhar Rao, who had been issueless by a previous wife, she produced a son, but he survived only three months. Overcome by grief, Gangadhar Rao died soon after, although first he made sure to adopt a son as heir. Lakshmibai took over the affairs of state as regent, and began a series of negotiations with the British to have the adopted son recognised. However, Dalhousie's Doetrine of Lapse was put into effect and Jhansi was annexed by the British in 1857.

During the disturbances which spread over north India in 1857, troops in Jhansi revolted and killed a large number of British citizens. The Rani's responsibility for this massacre and her relations with the British early in her rule are controversial topics, but it is clear that subsequently she took active leadership in opposing the British suppression of the rebellion. When the British under Hugh Rose marched against her, she defended Jhansi fort and only fled to safety when the British again in major battles at Kalpi and at Gwalior, where she died in comhat

and at Gwalior, where she died in combat. While the historical details of Lakshmibai's rule are subjects of debate, in the popular Indian mind she is unequivocally identified as a great freedom fighter inthe first stage of India's war of independence against the British. With this are linked a number of heroic images and anecdotes, which can now be seen as part of a larger virangana complex. Thus when she was a girl of seven or eight, she tamed an elephant by climbing up its trunk to its tusk.25 After her marriage, she was stifled by court life and formed a regiment of women, with whom she could practice horseback riding, swordsmanship, pole climbing, and wrestiing. 26 It is said that sometimes she fought her enemies with swords in both of her hands and the reins of her horse between her teeth.27 She was also accomplished at shooting. Most paintings depict her mounted on horseback, earrying a shield in one hand with her sword raised high over her head. Frequently a male child is shown seated behind her or tied to her back in a satchel, a reference to the story of her flight from Jhansi when she "left the fort under cover of darkness on horseback with, as popular tradition has it, her adopted son on her back."28 Legends abound regarding miraculous feats such as her extraordinary leaps, long and swift rides, and prowess with the sword.

Lakshmibai's masculine appearance is frequently mentioned as part of her legend. Casting aside the constraints imposed on brahmin widows, she chose clothing which enabled her to ride and lead a vigorous life. In portraits she wears either a Maharashtrian sari draped between the legs, or trousers and a long tunic belted at the waist, with her sword stuck in the waistband. At the time of her death, according to Hugh Rose, she was wearing a red jacket, red trousers, and white turban. Among the many songs, poems, and novels dealing with her life, perhaps the best-known is Subhadra Kumari Chauhan's paean in Hindi which uses the refrain khub lari mardani voh to Jhansı valı rani thi, "bravely fought the mardani the Queen of Jhansi." Here mardani signifies a masculine woman, mardana being, a Persian adjective meaning 'masculine, valorous', and 4' the feminine ending in Hindi. John Lang, a British visitor who chanced to meet her in person, described her physique as that of a strong, intelligent, dignified individual. Far from being considered odd or inappropriate, the Rani's physical presence was extremely effective in mobilising her forces to action. Her very arrival on the battlefield is said to have inspired her troops with courage and hone.

While Lakshmibai's fame derives primarily from her qualities as a warrior, she was also an able administrator, known for her diligence and sense of justice. Like the queens already discussed, she acted not only for the protection of her people, but was also fond of learning, supported the development of the royal library, provided for the poor patronised musicians, and dispensed religious charity. Even her enemies praised her virtues: "The high descent of the Rani, her unbounded liberality to her troops and retainers, and her fortitude which no reverses could shake rendered her an influential and dangerous adversary," wrote Sir Hugh Rosc. 29.

The evidence presented so far should be sufficient to indicate the historicity of the virangana among the major ruling groups of north India during the last millenium. Additional examples could be provided from Bengal, Assam, Kashmir, the South, and the tribal regions. Certain political and personal circumstances seem to foreshadow the emergence of these queens. Tutelage and support by a senior male prepared the women for high office, and absence or incompetence of adult male heirs often afforded an opportunity to take power. An external threat also appears to have served as a catalyst. Personal inclination and talent were no doubt significant if unchartable factors enabling women to become powerful queens and warriors.

Of equal importance to our study is the enduring place these warrior-women hold in the minds of the people. Their herole deeds are eelebrated in all the vehicles of communication known to the culture, from history books to comics, legends, films, and

songs. In these narrative traditions, the virangana is often likened to the goddess Durga or Kali, particularly during battle. Her iconography links her with the goddess visually, for she carries a sword, as Durga and Kali do (sometimes one in each of their many hands), and she rides on her 'vehicle', her horse corresponding to Durga's lion. Her defeat of threatening enemies is comparable to the warring goddesses' punishment of evil demons. This description of the goddess Durga fits the historical virangana well:

She is not submissive, she is not subordinated to a male deity, she does not fulfif household duties, and she excells at what is traditionally a male function, fighting in batile. As an independent warrior who can hold her own against any mate on the battlefield, she reverses the normal role for females and therefore stands outside normal society. 30

The details of folk and popular accounts of historical warrior-queens may indeed be inspired by well known legends of the warring goddess

And yet the viranguna partakes almost equally of the character of the sati, the virtuous female who is truthful, just, and capable of self-sacrifice. Much is made in these stories of the queen's decision to lotego ritual suicide, implying that greater virtue (sat) resides in serving the country, in several cases, the queens do eventually kill theniselves when honour cannot be preserved by any other means. Sat or 'truth' in many popular tales of women signifies chastity (also commonly referred to a pativratdharm, see section on lolk drama below). However, in the virangana accounts, sat is construed somewhat differently. The notable fact is that little or no emphasis is placed on the sexual fidelity of the virangana or her status as 'wife' oi 'widow'. Here virtue exists without being reduced to the physical purity of the female body, in fact, history preserves the names of several of the warrior-queens' lovers and companions, the virangana's status is not defined by her relationship to a man (as wife, mother or paramour), but by her valorous deeds, and therefore, sexual relations cannot impugn her 'truth'. The startling eonjunction of physical prowess, moral strength, and sexual freedom with womanhood in the virangana indicates how extraordinary and positively powerful a figure she truly is.

We turn now to the perspective of modern political movements and consider how they have altered and adapted the ideal of the viranguna.

# THE VIRANGANA AS POLITICAL AND SOCIAL SYMBOL

The historical virangana as remembered and valued today has been shaped by the emerging political and social ideologies of the last century. Reform movements like the Arya Samaj, the nationalist movement in its many phases, and more radical political and social programmes have addressed the status of women, and in so doing have claimed the

virangana as a potent symbol, both to combat colonial domination and to overturn oppressive attitudes toward women within the society. In the arguments made to justify their empire, the British asserted their moral superiority by citing Indian practices like parda, sati and kulinism which constituted 'proof' of the inferior and inhuman treatment of women and the depravity of men. A discourse was thus generated in which "Indian reformers were keen to show that, whatever the current position, women's status had been high in ancient India and many outstanding women had made their mark on Indian history." The virangana ideal would not have been embraced had it only served as a refutation of British allegations, however. Much more was conveyed in this heroic model: the virangana was an inspiration to all freedom fighters, men as well as women. Indeed the virangana by extension became an emblem of the nation itself (Mother India) engaged in righteous struggle. The images and stories of womenwarriors thus acquired a wide range of meanings, a richness of implication that enabled them to serve them many new uses.

One dimension of this process occurred in the field of education. Lala Devrai, the Arya Samaj leader who pioneered women's higher education in the Punjab, created a new curriculum for women which included a model of Indian womanhood conforming to the virangana type. While writing text books, he emphasised courageous European women's lives and created Indlan heroines, such as Suvrita and the near-mythic Suri Suvira who manifested the heroic virtues. In his women's college, a game called Suvira was played "about a warrior girl who is not only brave in defence of her rights but can also wield modern weapons". 32 Other fictional materials used dealt with themes like 'Ek Rat', 'which describes a brave young girl who fights single handedly with four burglars while her brother is terrified. Through these role models, educationists presented girls with the possibility of new career alternatives, including the option of "becoming not only the pride but also the saviours of the nation."33

The reinforcement of a strong, positive female identity through the invocation of historically prominent women continues in practices such as naming hostels after famous queens, philosophers, and poets. As women's higher education continues to be segregated from that of men in many instances in south Asia, the possibilities for preserving women's history and lore would appear to be greater than in the western education system, where male-centred interpretations of history and culture have dominated for centuries and are only slowly being challenged by feminist scholars.

In the political ideologies which arose in pre-independence India, it can generally be said that while women's issues were rarely neglected, the more conservative view favoured a passive, self sacrificing posture for womanhood, while the more radical position embraced the activist virangana ideal. Mahatma Gandhi, committed as he was to non-violence and passive resistance, saw the epic heroines Sita and Savitri as the ideal embodiments of his political strategy. He believed women were by nature nonviolent, and, therefore, they could and should play a major role in the nationalist movement. Gandhi emulated the virtue of taking suffering upon oneself, as a purificatory path to spiritual power, and insofar as women were "the embodiment of sacrifice, silent suffering, humility, faith and knowledge,' they were the most effective and reliable force for his non-cooperation campaigns. 15 Thus even as he brought women out of seclusion and into the streets, Gandhi together with Sarojini Naidu and other followers redefined the passive heroism of the traditional woman in positive terms, in contrast to the bolder models of female achievement and bravery filling the new classrooms.36

Perhaps, as some have suggested, Gandhi's Sita was not so passive after all.37 There is no doubt, however, that his concept of ahimsa was in opposition to the virangana's direct appropriation of force in defence of honour and justice. Jawaharlal Nehru's attitude toward Sita and Savitri as role models was more suspicious. In a speech in 1928 he said, "We hear a good deal about Sita and Savitri. They are revered names in India and rightly so, but I have a feeling that these echoes from the past are raised chiefly to hide our present deficiencies and to prevent us from attacking the root cause of women's degradation in India today."38 That root cause was economic bondage, which could be alleviated only when women went to work outside the home and became economically independent.

The symbolism of the virangana was most eagerly seized upon by the proponents of revolutionary nationalism, heirs of Bal Gangadhar Tilak, who favoured the use of force in defeating the British. For this group and their many sympathisers, the Rani of Jhansi became a byword for resistance to the British, and was the subject of many clandestine literary works, 39 In 1911 during Ramlila celebrations in UP, pictures of the Rani appeared together with Aurobindo Ghosh, Tilak, and Lala Lajpat Rai, establishing the association that the British wished so vigilantly to suppress. During World War II, when Netaji Subhash Chandra Bose reconstituted his Indian National Army in southeast Asia, he created a women's regiment and named it after the Rani of Jhansi. Over fifteen hundred women joined under the command of Lakshmi Swaminathan. 40 The virangana's exemplary valour seemed to be coupled here with a notion of female solidarity that has become more common of late. Feminist groups are now claiming the Rani of Jhansi, while at the same time, the Congress(I) has reportedly depicted Indira Gandhi in a film as a reincarnation of the Rani, dressed like her with sword and shield 41

#### VIRANGANIS IN HINDI FOIK DRAMA

Complementing and overlapping the historical virangana is the virangana of folklore and legend. The sources analysed in this section all belong to the folk theatre genre known as Nautanki, or in earlier parlance, Swang, Sang, or Sangit. Nautanki texts have been printed by popular publishers in the Hindr-speaking region since the mid-1800s, and they provide an unparalleled resource for analysing the culture of the ordinary people. These texts (or more accurately, libretti) form the basis of entertainmentoriented performances, played by itinerant troupes at fairs, festivals, or weddings. Textual portions are sung to fixed inusical patterns, accompanied by the loud naggara (kettledrums) and a melodic instrument such as harmonium, shehanai, sarangi, or flute. Performances may also include clowning sequences, erotic dancing, acrobatics, or topical skits. Stories are drawn from Hindu and Islamic romances, local legends, tales of saints, even newspaper accounts and, recently, film plots

In the nineteenth century, women did not appear on the Nautanki stage, and female roles were enacted by men, but beginning in the 1920s and 30s, women began to sing and play parts, and in the latest phase of development, they own and operate some of the major Nautanki companies. The position of women in this theatre is made more complex by the negative inoral associations of Nautanki-viewing for the high castes. Women have often been prevented from attending Nautanki shows, which have evolved in such a way as to cater to male interest in sexual display and innuendo. Nonetheless the traditional stories of Nautanki often show women in strong, warlike stances. This section will demonstrate the operation of the virangana ideal among female protagonists in the Nautanki folk theatre.

One of the earliest stories in the Nautanki repertoire is Syahposh, or, as it was called in the nineteenth centry, Saudagar o Syapposh. This is the tale of a merchant's son, Gabru (the saudagar), who attempts to win the hand of Jamal, the daughter of a minister of state, after being enchanted by hearing her reading from the Quran. While visiting Jamal, Gabru is apprehended one night by the king, disguised as a police consable roaming the city to ensure its safety. Gabru is sentenced to hang, and at the scene of the gallows, he waits anxiously for a last vision of his beloved. Jamal finally appears dressed as a man all in black (syah posh), riding a horse, wielding a dagger and a sword. She threatens to commit suicide by stabbing herself or drinking a cup of poison. The king is persuaded of the true love of the couple and marries them on the spot.

Similar tales of dangerous love between a highly ranked, valorous woman and a

commoner mate abound in the Nautanki literature In Shirin Farhad, the stonceutter Farhad falls in love with queen Shirin while engaged in building a canal for her Later he is given the task of digging a tunnel through an impenetrable mountain, and while he is working, Shirin rides out on horseback to meet him for a rendezvous Lakha Banjara relates the love between a princess and Lakha, the son of a banjara (trader) Similar to Syahposh in many details, it culminates in Lakha's being ar rested by a policeman while returning from the princess one night, followed by a death sentence by the king, and the appearance ol the princess at the gallows pleading with her father for her lover's release. However, in this story the king does not relent, Lakha is kilf ed, and the lovers are united only after Gura Gorakhnath arrives and resuscitates I akha

Perhaps the most striking instance is the story of Nautanki Shahzadi, 'The Princess Nautanki," whose name came to signify this theatre genre Nautanki' means a woman whose weight is nine tanks (a tank equals tour grams), implying that slie was very delicate (at least in the beginning of the story) Phul Singh sets out in quest of her following a date from his sister in law travelling from Punjab to Multan, and fin il ly gaining entrance to her private paiden There he courts her but their love is dis covered during the ritual weighing that occurs every day to test Nautanki's chastity Sentenced by the king to hang, Phul Singh awaits his execution when suddenly Nautanki arrives at the gallows, dressed as a man and armed with sword and dagger. Phul Singh is content with this last glimpse of her, and he bids farewell to the world as the noose is placed around his neck. But Nautanki pulls out a cup of poison and prepares to commit suicide, vowing to die like Shiiii died to: Farhad and I aila for Majnun As the executioners advance to pull the cord, she rushes with he dagger and drives them off She then turns her sword on her father, demanding he paidon her lover at once The king consents to the mailiage and the two are wedded at once

Although details differ these stories all involve a romantic quest by a lover (usually a social inferior) for a princess. The quest is fraught with danger, expressed not only in the lover's travails in reaching the princess and obtaining her consent, but in the punish ment ineted out for violation of her honour In each case, the princess becomes her lover's rescuer in the end. She braves social censure, daring to leave the sculusion of her palace and appear in public, thus demonstrating the great measure of her love. She also chall lenges the chief representative of society's moral order, the king or her father (frequent ly one and the same), by pleading for permission to marry and even threatening his lite To carry out her brave resolve, she transforms herself into a warrior figure, attired as a soldier on a horse, carrying weapons. In these cases then, the virangana shares some of the characteristics of the historical queens, including the male costume, position on horseback, and protective use of sword and dagger. Her cause, however, is not defence of the homeland but salvation of her lover and achievement of ultimate union with him. She appears only as a virangana when her lover is mortally threatened, although lier social superiority to the male invests her with power throughout the story.

The queenly type of virangana known to history has also been made the subject of Nautanki plays. Flirce plays with the title Sangi Maharani Tara (presumably the Tarabai discussed earlier) appear in the catalogues of the British Museum and the India Office I ibrary. Two plays exist on Maharani Durgavati, but the one in my collection appears to be quite a different story from that of Durgavati of Gondwana.

The most popular virangana story in the Nautanki world appears to be Virangana Virmati world appears to be Virangana Virmati. Virmati and her husband Jagdes tale was lirst recorded in diamatic form in 1876 but it reached prominence in the 1920s when the two most commonly performed versions of it were published, those of Shrikiishna Khatri of the Kanpur style of Nautanki and of Natharam Sharma Gaill of the Hatliris style <sup>47</sup> The present discussion follows Nitharams text

king Udiyaditya ol Malwa has two wives, Baghelin and Solankin Baghelin's son is a coward, while Jagdev, son of Solankin is brave and virtuous and his father's favourite Baghelin tears that Jagdev may soon become king and she forces the king to insult lagdes by asking limi to return the hoise and swoids he had presented to him previously. As a result, Jagdev leaves the court followed by his wife Virmati, who vows to be at his side no matter what difficulties lie ahead. After wandering to: some time, they reach a lake, and Jagdev leaves his wife while he goes to find lodging in the nearby city. Viimati is then approached by a prostitute and enticed to the brothel of Jamoti, on the pretext that Jamoti is her husband's sister

So far the events bear an uncanny re semblance to the Ramayana the rivalry bet ween co wives to determine whose son shall be heir, the exit of the favoured son, accompanied by his devoted wife, the wife's aban donment in the hostile forest and her abduction At this point in the Nautanki, however, Virmati's similarity to the passive, patient Sita ends Lalji, son of the Kotwal, tries to seduce Virmati, but she gets him drunk and then kills him with his own sword She dumps the body from the window, and when the Kotwal discovers his dead son, he rushes in to the brothel to arrest her However Virniati, still holding the sword, proceeds to kill twenty-five of the Kotwal's men Jagdev eventually finds Virmati and the couple are welcomed by the king of the city In this episode, Virmati's bravery is explicitly directed toward protecting her chastity (pativrat dharm) In the text, she is compared to a honess (sherni) with bloodshot eyes and a fierce roar She is also likened to

Kalı dancıng on the chest of her victims 43

In the second part of the story, Vtrmati proves herself capable of even greater courage when she beheads her own husband Jagdev was tricked by the goddess Kankalı (also called Kalika, both variants of Kali) tnto giving her his head, which she demanded as a religious gift (dan), in retribution for his assault on her son, the demon Kalua Virmati impresses even the bloodthirsty Kankalı with her tearless fulfilment of duty, and eventually Kankalı joins lagdev's head back to his body and revives him Through this test, Virmati proves herself to be a true daughter of the goddess, and Kankalı ad dresses her as such while Virmati in ieturn addresses Kankalı as mother in the end, Jagdev and Virinati return home, where Baghelin has repented, and they all live happily

In the virangunas in Na itanki, we see a shift from the brave acts of the historical queens in defence of their homeland, to brave deeds aimed at the preservation of a woman's family bonour and exual purity The two are closely related, if a woman is mairied to a king, her chastity constitutes part of family honour, which is equated with the honour of the kingdom. The fundamen tal point of comparison is that in both cases women are fighting actively moving on their own initiative and strength to protect them selves and gain their own victories. The imagery of the virangana is also remarkably consistent, with repeated mention of the woman riding on horseback, armed with sword and dagger

#### CINEMA CLAIMS ITIL VIR INGANA

The early Indian cinema iii many ways transported the folk theatre of the late 19th and early 20th centuries into the celluloid inedium. The singers and actors from the theatre found new jobs for themselves in the film industry, and many of the former theatre managers and commercial backers joined to form film companies. The stories used in the first twenty or so years of Indian einema repeated the popular plots from the Nautanki, Tamasha, and Parsi theatres, which had earlier inherited them from all-India and regional sources As Pradip Kishen has noted, "that the cinema actively set out to displace folk entertainments is suggested by the fact that the cinema appropriated its forms, transposing its ingredients and often its subjects, into the standard fare of the Indian screen"44

Given these continuities, it is not surprising to find a veritable spate of films in the twenties, thirties and forties devoted to the virangana type. Among the silent movies of the twenties, the following were based on specific women-warriors discussed above. Sati Veermat (1921), Devi Ahalyabai (1925), and Sultana Chandbibi (1932), talking versions were later released of Tara Sundari (1934), Sultana Chand Bibi (1936), Taramati (1945), as well as several films on the other Rajput heroines like Padmini, Pannabai, and

Minaldevi. There were also a number of films dealing with less historical, and occasionally more fanciful, viranganas. In the silent category, these included: A Fair Warrior (1927), Veerangana (1928), Female Feat (1929), Chatur Sundari (Wily Heroine), Goddess of War (Ran Chandi, based on Puranic mythology, 1930), Shurvir Sharda (Gallant Girl, 1930), Valiant Princess (1930), Lioness (1931), Valiant Angel (Chitod ki Veerangana, 1931), Stree Shakti (The Super Sex, 1932), Daring Damsel (Azad Abla, 1933), The Amazon (Dilruba Daku, 1933), and The Lady Cavalier (Ratna Lutari, 1933). Aniong the sound pictures, similar titles abound. Veer Kumari (1935), Jungle Queen (1936), Chabuk wali (1938), Aflatoon Aurat (Amazon, 1940), Veerangana (1947), and so on.45 Worthy of special mention are the films that starred the actress Nadia: Hunterwalı (1934), Sher Dil, Lutaru Lalna (1938), Diamond Queen (1940), and many others These films, directed mostly by Homi Wadia, were extremely popular in the thir ties and forties, and were part of the childhood experience of many of the actors and directors of today, as Girish Karnad recalls:

The single most memorable sound of my childhood is the clarion call of 'Hey-y-y-y-y' as Fearless Nadia, regal on her horse, her hand raised defiantly in the air, rode down upon the bad guys. To us school kids of the mid-40s. Fearless Nadia meant courage, strength, idealism. 46

In these films, Nadia played the valiant heroine who always comes to the rescue her most frequent entrance, as recounted here, being on horseback. Stills from her films show her carrying every conceivable kind of weapon—bow and arrow, sword, bullwhip, and pistol—as well as lifting men over her head and thowing them.

The theatrical origins of Nadia's role are suggested in the following excerpt, which seems to describe the Syahposh type of virangana discussed above:

The good king was imprisoned by the scheming minister. The righteous among the subjects were tortured or locked up. The helpless princess, driven to despair, unable to find succour finally decided to act on her own and set things right. And in a moment, the large fair woman, whose discomfort seemed to arise more from the sari she was wrapped in than from the political situation, transformed herself into a masked woman, in tight black costume, who could ride, swim, fight, wrestle, fence and even take a reverse jump from ground to balcony.<sup>47</sup>

The Nadia/Wadia productions, beginning with Hunterwali (The Lady with the Whip), created a new genre, the stunt film, but without the luxuries of stunt directors, duplicate stuntmen, and the trick photography of today. The famous train films like Frontier Mail (1936) also originated at this time, with Nadia performing daring feats on the top of moving trains. These popular genres eventually gave way to the 'socials', family dramas involving more 'realistic'

situations, although current films still incorporate noticeable virangana elements.

Prior to independence in 1947, films suggesting nationalist messages were strictly censored. It is significant that not one film on the list above appears with the Rani of Jhansi, the most famous virangana, as its heroine. The Rani was simply too potent a nationalist symbol to be allowed on the screen. Articles, poems, plays, even the noted Hindi novel by Vrindavan Lal Verma on the Rani of Jhansi, were immediately banned upon publication.48 In the absence of such readily understood nationalist images, one wonders how much patriotic content was more covertly conveyed through figures like Fearless Nadia and the other cinematic viranganas. The popularity of these films seems to be linked to their allegorical political content.

This is not to deny the obvious entertainment value which the virangana came to possess in the process of becoming a cinematic image. The wonderment and reverence associated with the earlier legends of valiant women now acquired a cruder colouring as heroic feats were converted into 'stunts', and the female body was displayed in erotically charged, athletic poses. Nonetheless the cinematic virangana emerging in this period indicates the full assimilation of the paradigm into the popular culture of the twentieth century.

The most recent manifestation of this type is the female outlay figure, counterpart to the Robin Hood-like male outlaw or dacoit (daku), a common subject of north India folklore. Just as the daku is considered a raja or king by his followers and the villagers within his territory, so too the 'bandit queen' shares the symbolic character of sovereignty with the historical queens discussed above. She is a woman of indomitable courage, a merciless executrix of justice. Adored by her people both for her beauty and her power, she leads her gang, utilising the same weapons and costume as her male cohorts. Former viranganas defended their kingdoms and fought enemies of opposing ethnic and religious composition; the female outlaw fights the police, the landlords, and the wealthy, and she defends the rights of the poor and oppressed. Since the 1960s and 70s, she is increasingly a low-caste heroine, in alliance with the disprivileged in rural society, in opposition to brahmins, thakurs, and government officials.

The female outlay as a sub-type of the virangana appeared in several films of the thirties, e.g., Lady Robinhood, The Amazon (Dilruba Daku), and Lady Cavalier (Ratna Lutari). Numerous legends grew up around Putli Bai, a famous one-armed dacoit of the fifties, celebrating her exploits in the Chambal Valley. 49 But the most widely publicised story has been that of Phulan Devi, whose recent career has been featured in international magazines like Time and Esquire on the one hand, and who on the other hand has Inspired folk poets to compose Nautan-

kis, Barahmasis, Birahas, and other folklore genres in Hindi dialects. Several Hindi films have been produced about her, including the rather faithful version of her life, Kahani Phulvati ki. 50 Clay idols of her have been sold together with other gods and goddesses in the local markets. 51 Her example has made such an impact that many other women of her region have become daçoits. 52 By 1986, bandit gangs considered It de rigueur to have at least one female member. 53

Prior to her arrest in 1983, Phulan had become a niedia phenomenon, the object of sensationalistic exaggeration and romanticisation nourished by lack of concrete information. Since the release of photographs taken at her surrender and the publication of various interviews conducted in jail, the fantastic rumours about her beauty and charm have been put to rest, and the myth has been partially dismantled. Nonetheless it is a measure of the meaningfulness of Phulan's story that it continues to be an ofttold one, and that in its essential details there is little variance between the many types of sources, be they folk poems or journalistic accounts. The following synopsis is a composite of elements drawn from folk and media sources.

Phulan was born a Mallah (boatman caste), in 1956 in a village in Jalaun district, UP. The chain of exploitation that characterises her life began with her marriage at the age of ten to a lustful widower twenty years her senior. When she escaped from his advances and returned to her village, the panchayat expelled her, and slie went to live with an uncle whose sons and friends harassed her. According to some folk accounts, she then met a dacoit named Kailash and married him in court, but was later offered to his friend Vikram (another Mallah) and the gang leader Babu Gujar for then sexual enjoyment. She was arrested on a robbery charge and spent three weeks in police custody where she was sexually assaulted. Released through the good graces of a thakur, she was afterwards forced to become his concubine. Kaılash meanwhile was killed by the police, and Phulan came under Vikram's protection. After killing. Babu Gujar, Vikram established himself as a gang leader with Phulan ar his mistress. He taught her to shoot, and the two began a series of robberies and murders in the Chambal region. Internal feuding in the gang led to Vikram being killed by Srirain and Lalaram, two thakur gang members. They kidnapped Phulan Devi, took her to Behmai village, and kept her captive while she was raped by a number of other thakus men for several days. Beaten and humiliated, she was forced to draw water from the village and serve the men. This incident fuelled Phulan's final revenge. After escaping from Behmai, she joined with another dacoit, Mustaqim, and returned with his gang to Behmai to avenge the murder of Vikram and repay the thakurs for dishonouring her. She lined up twenty thakur men and massacred them on Valenttne's Day, 1981 After evading police pursuit for two years, she was finally sent to jail in Madhya Pradesh following a negotiated surrender with the police

The central theme of Phulan's life, as in terpreted to popular opinion, is one of repeated victimisation, particularly sexual assault by men, leading eventually to resistance and counter-attack upon the perpetrators Phulan was robbed and looted of her chastity ('to rape' in Hindi is izzat list na, 'to steal one's honour'), and so she turns to robbing and looting in return. Her strug gle has much to do with the oppressive caste system of rural north lindia. As a low caste woman, she was raped many times by high caste men, and it is towards them that she directs her avenging listy. As she state' in the Nautanki play Phulan Debi

Thakurs have done whatever they wanted with me. High caste men ilway, played with my honour. Not until I shoot them each one by one will their oppression of the be repaid. 54

Becoming a bandit she dressed in the khaki uniform of a senior superintendent of police, tied a headband around her cropped hair, donned running shoes, and toted a rifle—a modern day equivalent to the turbaned, sword wielding—historical virangana—on horseback. In defending her honour, and that of all low caste women—Phulan is a woman warrior who secures the triumph of the sexually and economically exploited. She continues the noble tradition of valiant women who protect themselves and others through their own courageous, albeit bloody, deeds

In the masculinist press. Phulan has been portrayed as an irresistible, insatiable man eater. The image constructed of her combines elements of wild beauty seductiveness, and extraoidinary danger I squire describes her as a legendary six foot tall, raven haired, one armed beauty" 'a beautiful femme tatale who had butchered twice as many men as she had bedded" 55 There is no doubt that a genuine terror of her (as of dacoits in general) existed in the countryside in the months following the Behmai massacre and preceding her capture However, it is noteworthy that Phulan has also become a symbol of women's liberation, to urban Indians as well as to the rural women who emulate her Phulan and her sister bandits, Kusuma Nain, Meeia Thakur, and others, have been called "beacon of hope for countless young women who have a score to settle with society" 56 In Bombay and Delhi, Phulan "appeared to represent the ideas expressed by such feminists as Kate Millett, Betty Friedan, and Germaine Greer," in her stance as "the new woman a brash Amazon who had risen above her caste and the traditionally subservient position of the Indian female"57

Phulan achieved prominence in an era in which more and more women were emerging from their domestic seclusion and taking up positions side by side with men in schools and colleges, in the workplace, in politics

and public life. Her powerful presence has quickened awareness about the changes that await both women and men in the years to come. For some, she has heightened anxieties about the current transformation underway in women's roles, while for others she has come to inspire determined commitment to the struggle for equality and justice for women. In Phulan, the contemporary incarnation of the virungana lives on

#### CONCLUSION

This preliminary survey establishes the wide range of contexts in which the virangana appears in north Indian history and myth. Despite the differences that have been noted among warrior queens, folklore heromes, and then cultural equivalents today, these women share an ideology based on valour, and physical prowess, and an iconography which represents these qualities through the sword the horse, and male at tire. Their stories are sufficiently similar to allow us to characterise the virungana as a type, and a type of considerable persistence and prestige instead of viewing each in stance as an anomaly unrelated to a larger patterii

As such, the virangana compels us to revise the earlir typologies of women limited to epic heroines and mother goddesses. This female figure refuses to fit the polarities en compassed by the pairs good woman/bad woman, chaste/unchaste, self-denying/all destroying Nor is she defined by her relationship to a male, and for this reason, her sexuality is inconsequential. She is virtuous and strong, powerful and prudent, physically adept and wise Rather than reversing any one particular role which may be viewed as doininant, the virangana moves beyond the toles for women prescribed by patriarchal society. She transcends and subverts the categories which ordinarily divorce power, strength, and independence in women from goodness, charity and nurturance of others

The virangana constitutes an alternative paradigm of womanhood, repeatedly surfacing to challenge the patriarchal premises of north Indian society and assert the female potential for power as well as virtue. The tales summarised here point to a 'herstory', suppressed and forced underground at times, but constantly re-emerging into popular consciousness through memory and celebration in the search for mythic identity within the boundaries of cultural authenticity, the virangana present a valuable model for today's women, as well as a timeless reminder of the achievements of the past

### Notes

- 1 Witness the recent spate of hi-tech film and television versions of the great epics in India
- 2 Kishwar, In Search, 46
- 3 Kishwar, In Search, 47
- 4 Dworkin, 42
- 5 Dworkin, 32-33
- 6 See the volume edited by Blackburn, et al.

- 7 The account of Doranne Jacobson's informant Bhuri, a Brahmin village woman from Madhya Pradesh, suggests that the 'chaste wife' norm is observed more in the breach than the practice
- 8 Liddle and Joshi, 55
- 9 Liddle and Joshi, 56
- 10 Robinson, 188
- 11 Pool, 86
- 12 Madhavananda, 321, also Tod, 211
- 13 The Amar Chitra Katha version notes that she first intended to become a sati but decided to raise her son instead
- 14 Abul Fazl, cited in Madhavananda, 323 324
- 15 Madhavananda, 324
- 16 Cited in Madhavananda, 324
- 17 Madhavananda, 392
- 18 Pool 143 44
- 19 Tod, 237
- 20 Madhavananda, 359 see also Amar Chitra Katha comic, 5 6
- 21 In the Amar C hitra Katha version, Ahalya wavers between the selfish performance of sati lor her own salvation, and the decision to dedicate her life to the service of others 12 13
- 22 Malcolm, 162
- 23 Malcolm, 179
- 24 Malcolm 194
- 25 Lebra Chapman, 16
- 26 Lebia Chapman, 19, 22
- 27 Sinha, 97
- 28 Lebra Chapman, 93
- 29 Sinha, 97
- 30 Kinsley, 97
- 31 layawardena, 78
- 32 Kishwar 'Arya Samaj' 13
- 33 Kishwar, Arya Samaj 17
- 34 Conversation with Tara Sinha
- 35 lavawardena 95 97
- 36 For Sarojini Naidu's role in invoking the epic heroines see Raite 367 370
- 37 Kishwat, In Seurch, 47
- 38 Jayawardena, 98
- 39 Lebra Chapman, 143 146
- 40 Lebra Chapman, 150
- 41 Lebra-Chapman, 149
- 42 Other narrative versions of it are contained in R C Temple's The Legends of the Pan jab, 11 182-203, and Bhartiya Viranganaen, 58 71
- 43 Gaur, 1, 42 43
- 44 Kishen, 31
- 45 Information drawn from Rangoonwalla
- 46 Karnad, 86
- 47 Karnad, 85
- 48 Lebra-Chapman, 146
- 49 Bhaduri, 54-66
- 50 Conversation with Alan Entwistle
- 51 Times of India, October 24, 1984
- 52 *Times of India*, August 18, 1985 53 *India Today*, October 31, 1986, 33
- 54 Phulan Debi, 46
- 55 Bradshaw, 73
- 56 Times of India, August 18, 1985
- 57 Bradshaw, 86

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### 3 Otal performances

- Near aur Kartavia (Ram Lakshimi Bai), a Nautanki composed by Rampi Lal Bhatt, performed by Kamlesh Lata Bhuresh Kumar Varma Chunnilal, and Ram Dayal Sharma produced by Tribuvan Sharma for All India Radio Mathura Courtesy of Alan I niwistle
- Phulon Devi Biraha performed by Ramji and Party of Rammian Akhara Varanasi, recorded 1983-84 Couriesy of Scott Marcu
- Phulan Devi Biraha performed by Hans Raj and Party Vaianasi recorded 1983 84, Courtesy of Scott Maicus

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Applications of those who are interested should be of the Course Co ordinator Centre for Social Studies University Campus IJdi na Magdalla Road SURAT 395 007 latest by May 9th 1988

# Outside the Norms: Women Ascetics in Hindu Society

### Catherine Clementin Ojha

A Hindu monastic order has the structure of a genealogical tree. This extremely loose structure allows a considerable freedom to spiritual masters and it explains to some extent how female ascetics have finally found their way into most of the monastic orders, even those traditionally closed to them. But to be admitted into a lineage does not allow one to transmit its religious tradition, that is to initiate and become a guru. It is only in some very rare cases that there is an evidence of self-sustained series of women ascetics. More often, female ascetics have to survive within the framework of systems that are essentially male-oriented and have been designed and refined by males for other males.

EACH of the three main religions which originated in India, Jainism, Buddhism and Hinduism, developed an ascenic tradition of considerable importance in which women also played a part 1 for several centuries, Buddhism and Jamism had a leading role on the scene of Indian asceticism. Their religious orders established special monasteries for women which were extremely well run institutions organised according to the rules laid down in the Biiddhist and Jain codes of monastic life. Buddhist nuns flourished in this country as long as Buddhism was one of its major religions. Jain monastic communities are still active to this day Hindu leminine asceticism, by con trast, has remained largely unstructured There has not developed within the fold of Hinduism a strictly femining version of monastic organisation. For these reasons it is a phenomenon difficult to grasp and still very little known

The information on which this article is based was collected in Benares during several periods of research between December 1977 and May 1982. As is welf known, Benares is, par excellence, the holy city of Hinduism, a traditional centre of cultural and philosophical life, and as such one of the most famous place of pilgrimage (tirtha) in India. Benares is the seat of many teligious institutions belonging to the differents sects (samprudava), the organisations in which ascetics are found, it shelters an important ascetic population among whom a number of women are also found.

However, the temale ascetics are not to be met with at every street corner and the first task is to locate them. One of the greatest difficulties of this work was to establish the first contacts. In the absence of a list of monasteries information had to be derived from the local inhabitants. They were quite co-operative even il they did not always understand whom I was looking for. People often thought that I wanted to meet widows and once they took me to a charitable institution caring for them. The confusion was an information in itself; it showed that for the average Indian the female ascetic is closely connected with this particular character in the Indian society the widow.

The Buddhist and Jain traditions have each a precise word to designate their female ascetics. respectively bhiksuni and jain-

sadhvi But Hindi-speaking Hindus (and, I would expect others as well) use a variety of terms for theirs. The Hindu ascetic tradition is extremely rich and diversified, it comprises a multitude of orders. Ascetics lead different lite-styles, depending on the order to which they belong, and accordingly are known under different names such as sannyasi, bairgai, nath, yogi, naga, etc. The substantive sudhu is commonly used today to speak of any of them in a generic sense. However sadhu has no feminine equivalent although it accepts two feminine forms, sadhvi and sadhuni In Hindi, the latter lorin conveys a somewhat pejorative and contemptuous meaning. As for the former, according to the context, it means either a lemale ascetic or a virtuous married woman. It is more readily accepted in this second meaning and generally given as an equivalent of sati, the ideal wife Thus there will be no misunderstanding if you tell people you are looking for sadhus, but unless you provide some complementary explanations no one will take you to a female ascetic if you ask for a sadhvi. This absence of a proper terminology points to the ill-defined status of the women who have adopted the ascetic life. It illustrates the fundamental characteristic of feminine asceticism: its ambiguous position within Indian society.

Hindii women who have renounced the world are very few. They are clearly a minority in the ascetic movement as a whole. S Sinha and B Saraswati, two anthropologists who conducted a systematic survey of the monasteries of Benares in the seventies found the total number of their inmates to be 1284, out of which 97 were women. Though it is difficult to count asceties for they are not known for their stability, one can keep in mind the ratio of one woman for every ten to twelve men; it is suggestive of the proportions of feminine asceticism within Hinduism.

Their small number is one of the reasons why female ascetics often go unnoticed. But their near-invisibility has other causes as well. By his garb the male ascetic is at all times easily distinguished from the rest of the male population. By contrast, a great number of female ascetics, may be mistaken for pious widows. Like them they do not have the red sign of marriage (sindhur) in the parting of their hair nor wear any jewels

or bangles. Like them they are clad in a modest white sari. Only a very small number of female ascetics are conspicuous for they are the exact repliqua of their male counterparts in the same religious order; the sannyasini wear the other robe of the sannyasi, the yogini may go about half-naked, and a very few women display the same imposing ascetic bun (jata) as some sadhus. But even these women keep a low prolile. Unlike the male asceries, they often stay within the limits of a monastery or of their private homes. It is not considered suitable for them. to move about too much. As for those who have adopted the roving life-style, they usually travel in groups It is the whole social atmosphere and the general position of women in India that are the main source of such a reserve. According to the most orthodox section of the Hindu society, a woman is never supposed to be left alone by herself 4 A woman is not supposed to attract attention either. She who has walked out of society tends to be suspected of wanting to misuse her freedom and in the literature female ascetics have often been depicted as loose women

### PATTERN OF LIFE

Female ascetics follow essentially two modes of life. One is to keep moving around the country, travelling from one pilgrimage centre to another, and practising begging for one's survival. The other is to settle for a more or less long period in a fixed place. This in turn implies two choices: either to live independently, with some attendants, or to belong to a monastic community. While life in a monastic community is regular and follow a strict schedule, the solitary ascetic enjoys a greater freedom but may have a more precarious existence. Both styles of asceticism are supported by the lay members of the society, who as the disciples of these female ascetics make donations to them and look after many practical aspects of their daily life.

The majority of female ascetics of Benares live in three monastic communities which were all founded in the years that followed the independence of India.<sup>5</sup> The first community has sprung from the spiritual movement which developed around Anandamayi Ma, a very saintly and charis-

matle Bengali woman, in the first half of the century. The two other communities are also to be linked with Bengal since their respective female founders, Ganga Ma and Shobha Ma, both initiated by the same guru, the famous vishnuite ascetic Svami Santadas Kathiya Baba, were born and raised in this eastern province.

There is much similarity in the pattern of life of these three communities: Its main features are the strong bond between each female ascetic and her guru, life within the limits of the monastery and the obedience to a strict code of behaviour set by the guru. Their religious beliefs, their ritual practises as well as the general spirit underlying their spiritual discipline (sadhana) are also very similar with those of the independent female ascetics. But in the communities the daily routine seems to be more strict and the women appear to have hardly any time for themselves. Their daily time-table is divided between worship, in the private temple of their monastery, meditating on the philosophical and theological principles of their respective doctrines, recitation of sacred formulae (mantra) and listening to the teachings of their guru. Their life is spartian, they get little sleep, bathe in cold water and keep a strict vegetarian diet, but only a very few of them follow ascetics practises (tapas). As I could observe closely over a period of more than four years, the inniates of these three feminine monasteries do lead a genuine monastic life. Theoretically their pattern of life is also common to the male Hindu monastic institutions. But the female ascetics display a sense of discipline generally unknown in most male monasteries (asrama) of contemporary India.

### WHAT DO THEY RENOUNCE?

It is not an easy task to understand the motivation of the women who have chosen the ascetic life style. The female ascetics themselves usually put forwards religious reasons. They have renounced the world to obtain their salvation. Often the meeting of the guru has played a major part in their decision; they explain that they have severed all their other links in order to serve him, or her, better. However the woman who 'leaves the world behind', as the expression goes in Hindi, enters a new social life. She acquires a new status and to understand the meaning of this change, we have to examine this 'world' that a female ascetic has left behind.

From the orthodox point of view as it is outlined in the vast corpus of texts on dharma, known collectively as the Dharma Sastras, there is no possible existence for a woman outside marriage. The practise of world renunciation is a masculine pattern of life, theoretically restricted to the twice-born. A Hindu woman is expected to lead her religious life within the householder stage. She need not renounce the world to obtain her salvation for it is in this very world that she can purge herself of the fruits of her acts by means of surrendering totally to her husband, Marriage and marital life are thus

viewed as a road to salvation, they are a sadhana, a method of spiritual achievement. The ideal woman who adopts this attitude towards her marriage, and towards her husband, receives the name of sadhvi or sati. Such a woman does not renounce the world, but the highest value of renunciation permeates her daily life: the true sadhvi is devoid of ego.

This stresses a remarkable difference between the destinies of man and woman in orthodox Hinduism. While the twice-born man has a choice between two different stages of life (asrama), that of the householder (grihasthasrama) and that of the renunciant (sannyasasrama), and is actually encouraged to go from the first to the second, there is a single mode of life for the woman. A temale ascetic is thus seen as a person who has adopted a behaviour intended for males and has therefore left the orthodox norm behind.

According to B D Tripathi who conducted a sociological survey of 500 sadhus from Uttar Pradesh, about half of them were bachelois. Unfoitunately, lic did not include any women in his survey. My own inquiry covered too small a sample to conclude in terms of statistics but it did show that female ascetics also include a good number of celibates. Out of the thirty-eight women who disclosed their civil status to me twenty-nine were celibates, three had been married and the six others were widows.

Why had the two first kinds of women chosen to marry or to abandon their mairiage? How was it made possible in their society? As I have already said the female ascetics themselves allege religious reasons as their main drive Yet, informal exchanges with them also reveal a deep-set disgust with family life and ties, and more specially perhaps, with the chores expected from them in the householder stage. These women are no doubt a minority but they may say aloud what is in the minds of many silent housewives. One can wonder sometimes to what extent their renunciation has not been motivated by their desire to experience another kind of life. But the fact remains: for the woman who decides to remain unmarried (or walks out of her marriage), the religious career seems indeed to be the best alternative in the traditional Hindu social context

One situation, however, appears to plunge a woman into a marginal condition despite herself: widowhood. A widow (belonging to a high caste) is not allowed to remarry. The death of her husband marks a definitive rupture from her former life-style, she ceases to be an ordinary grihasthini, householder's wife.

But only two of the six widowed female ascetics I met in Benares made a direct link between the death of their husband and their own renunciation. Both of them, both today sannyasini leading a solltary life, had lost their husbands, and their children, during the bloody exchange of population at the moment of independence in 1947. They renounced the world in order to escape the otherwise inevitable condition of beggary.

Without doubt these two women are much more serene and self-confident than the innumerable widows who depend for their survival on charity and may still be seen haunting the back streets of Benares

The other four of the six widows had been child-widows; they had lost their husbands soon after their marriage, that is to say at a very tender age. One of them told me how at nine years, soon after the demise of her husband, her parents had put her in the care of a group of pious widows who were going on a pilgrimage. The child had grown on the roads, walking and begging and sharing the lot of ascetics, and there she had eventually met lier guru, a Ramanandi sadhu, who had initiated her into his sect and taken her at his service. Unlike the two sannyasini mentioned above, she had not experienced the shock of the sudden interruption of normal married life. She had become accustomed to her fate much more slowly and it is therefore not surprising that she should attribute her present life-style to a deep sense of detachment and not to this obscure and old event of the death of her husband.

Prudence is required in evaluating the impact of widowhood on the decision to renounce the world. Left to herself, often excluded from her family for financial reasons and having to depend on public charity for her survival, a widow may find in the service of a guru a new hope of life. More importantly the vaidhava-dharma, the section of stri-dharma concerning widows, sets very harsh rules prescribing a kind of renunciation within the world which is very similar to the life-style of the ascetic. She may prefer this kind of existence outside the world. But until she has actually made this choice, she is not an ascetic. The similarity between their two life patterns should not make us foiget that while the female ascetic has renounced her stri-dharma, that is marriage, the widow still observes hers by continuing to be faithful and dedicated to her husband. A Hindu widow is not an ascetic, she is still married even if to a dead man

Nevertheless, the conditions prior to renunciation are different in the cases of celibate and married women on one hand, and in the case of widows on the other. The former have renounced marriage, widows have indeed renounced widowhood.

But what is the real impact of widowhood on feminine renunciation as a whole? Clearly, widows are only a minority among female ascetics. Despite their often unbearable condition of life, the majority of widows do not become ascetics. The lot of the female ascetic is certainly much more enviable than that of the widow for it grants her a higher status in the community. Yet this choice demands other qualities than mere widowhood It is by no means sufficient to be a widow in order to become an ascetic despite the opposite opinion generally prevailing in India

### REBELS BUT NOT REVOLUTIONARIES

In effect female ascences have not chosen the solution of facility Their mode of life puts them under the constant fire of criticism. They have to impose themselves, it is a struggle all the harder since nothing in their upbringing has prepared them for it.

Not to live according to one's own dharma (svadharma) is the main offense in Hinduism. The women who renounce the world adopt an 'adharmic' behaviour. They can be considered as rebels for their renunciation amounts to an attempt to conquer their individual freedom, and to walk out of the system of surveillance which the orthodoxy has prescribed for them. Yet these rebels do not use their influence as a platform from which to criticise any fundamental aspects of Hindu society. They participate in public life to encourage people to respect their svadharma. The great concern of the majority of female ascetics is to defend the caste system and the exclusive types of attitudes which it implies. They also discourage other women from attempting to do what themselves have done. By supporting the most orthodox values they maintain the good reputation that is essential for their own survival. But it would be unfair to explain the apparent contradiction of their position by such selfish or shortsighted motives. According to them, their is no contradiction at all between what they do and what they preach. We must keep in mind that like most Hindu ascetics the expressed aim of their teaching is not social but essentially religious. In fact they are not at all different from the majority of male sadhus who although they themselves have opted out of society play the role of dharma-rakshaka, protectors of the socio-religious norms. What they proposed to transform are the mental attitudes of people who have to live in society as it is, not society itself.

The fact remains that their influence on the social conditions surrounding them is far from being negligible. Better educated than the majority of other women, they can appreciate what a major asset a good education can provide in life. Accordingly, many female ascetics endeavour to share their knowledge with their lay sisters.

In Benarcs, the inmates of the three monastic communities dedicate an important part of their time to teaching. While the disciples of Shobha Ma work in a small primary school attached to their monastery, which is hardly different from the other private schools of the town, the two other asrama, founded by Ganga Ma and Anandamayi Ma, include boarding schools of a rather special nature. There one finds girl inmates receiving a traditional form of education whose curriculum is highly reminiscent of that of the brahmacharin depicted in the Upanishads. These girls, usually belonging to poor high caste families, are entrusted to these boarding schools for eight to ten years. Most of them leave the institution to get married but some remain there to adopt the life of an ascetic and to become the teachers of a vounger generation of pupils. The medium of teaching adopted in both institutions is Sanskrit (which the elder girls speak fluently) and the subjects taught have a religious and

philosophical character. The headmistresses of both schools, who are of course female ascetics, see themselves as the true inheritors of the brahmavadinis of yore, such as the famous Gargi of the Brihadaranyaka Upanishad, who had dedicated their lives to the pursuit of knowledge and were apt to understand religious truth. They look for a model in the remotest past of their culture and speak essentially a religious language yet, at the same time, their attempt to break away from centuries of prejudices, which had deprived women of the right to religious, knowledge, is a necessary step towards a greater equality of chances between Indian women and men.

Though in a much more informal way, some independant female ascetics also transmit their knowledge by reading and interpreting the sacred texts for their disciples. The cultural and religious activities around all these women are altogether striking. This appears to me in keeping with the traditional notion that the Hindu woman has to deducate herself to the service of others: seva is her main duty. Even though they have rejected its central institution, i e, marriage, these female ascetics remain faithful in their own fashion to the spirit of their stri-dharma.

Female ascetics remain marginal in society largely because they are kept on the margins of the ascetic movement as a whole. There are two main positions of Hindu asceticism with regard to its feinale members. One which has adopted the orthodox point of view, as exposed in the Dharma Sastras, 15 strictly opposed to any idea of women renouncing the world. An interesting illustration of this tendancy was provided to me by the late Svami Karapatri, the famous Dandi sanyasi of Benares who as a staunch upholder of orthodoxy (varna-asramadharma) was an important leader of the traditionalists, both lay and ascetic. He did not deny that women could obtain a higher state of consciousness and also recognised that they could act as spiritual guides. But he refused them the right to join his ascetic order. Despite of all the evidence I had gathered to prove the contrary, he assured me seriously that there had never been a singlė real sannyasini in India.

But there has always been a great variety of positions within what is called Hinduism and these have coexisted with its orthodoxy. Spiritual leaders have not been wanting to challenge the authority of the brahmans and to call for allowing low castes and women to become ascetics, it is a remarkable feature of Hinduism that women have typically been favoured by religious movements intent upon bringing welfare to the lower strata of society. This may be related to the fact that their ritual status has been equated with that of the fourth varna ever since they came to be barred from the religious culture of the three twice-born orders. Typical examples of this openness to all, irrespective of caste or sex, are provided by all monastic orders attached to the sectarian movements influenced by devotional religion (bhakti).

### CONCLUSION

The main difficulty in dealing with Hindu asceticism is its absence of homogeneity. It is characterised by a great variety of beliefs and practices for it has no central organisation and is constituted by a multitude of independant monastic communities attached to or another of the numerous sects (sampradaya). No statement made about one of its traditions can be valid for the rest. This holds good for female ascetics as well since it is within the monastic orders affiliated to the different sects that they are to be found. They do not form a coherent group, but rather coexist in quasi-ignorance of each other. One may speak of Hindu 'feminine asceticism' but only in a very general sense.

A Hindu monastic order has the structure of a genealogical tree. It start as a lineage, that is as a regular succession of ascetics who are united one to the other by the ritual bond which is created at the time of initiation between a guru and his disciple. But since a guru may have several disciples, who in their turn may initiate several others, each monastic order tends to divide into a great number of spiritual branches (parampara). This extremely loose structure allows a considerable freedom to spiritual masters and it explains to some extent how female ascetics have finally found their way into most of the monastic orders, even those traditionally closed to them But to be admitted into a lineage does not allow one to transmit its religious tradition, that is to initiate and become a guru. It is only in some very rare cases that there is an evidence of self-sustained series of women ascetics. More often, female ascetics have to survive within the framework of systems that are essentially male-oriented and have been designed and refined by males for other males.

### Notes

I I would like to express my thanks to Alice Thorner for the pains she took in polishing the English of this article.

2 Among the people who helped me during the years of my inquiry in Benares, I am particularly grateful to my husband Sharad Chandra Ojha, to Jaya Devi and Krishna Devi of the Sant Asrama (Shobha Ma), to Gauri and Kalyani of the communities of Anandamayi Ma and Ganga Ma respectively. Some of the information collected during this period has already appeared in an article entitled 'Feminine AscetIcism in Hinduism: Its Tradition and Present Condition', Man in India, 61-3 (September 1981), cf also note 5.

3 Sinha S and Saraswati B, Ascetics of Kasi: An Anthropological Exploration, N K Bose Memorial Foundation, Varanasi 1978.

4 A woman must never be independent and can never do anything on her own, *Manu*, V, 147-148 et IX, 2-3 et 5.

5 I gave a thorough description of their life style and beliefs in Condition feminine et renouncement au monde dans l'hindouisme: less communautés monastiques de femmes à Bernarés, Bulletin de l'Ecole Française d'Extrême Orient, LXXIII (1984).

6 Tripathi B D, Sadhus of India: The Sociological View, Bombay Popular Prakashan, Bombay, 1979.

# Towards a Responsible Revolutionary Party

Sumanta Banerjee

Documents of the Communist Party of India (Marxist-Leninist), adopted by the Fourth All-India Party Congress, January 1-5, 1988; Delhi, March 1988; price Rs 20.

THE CPI(ML) movement, known in popular parlance as Naxalism, has been at the receiving end of many inaccuracies, misapprehensions and downright distoitions, thanks partly to the Indian media's habit of harnessing themselves to the readily available rumours that are in circulation and police handouts, and partly to the hitherto followed practice of the Naxalite groups themselves of refusing to come out in the open with their programmes and plans of action.

Of late however, one particular groupthe CPI(ML) headed by Vinod Mishrahas been publishing openly and making available to the public at large its policy documents. Report from the Flaming Fields of Bihar, which was brought out by a Calcutta publisher in 1986, is a welldocumented history of the armed struggles led by the Marxist-Leninists in general and the Vinod Mishra group in particular among the Bihar peasantry. The present collection, published from Delhi, besides containing the party's general programme and immediate agrarian programme, throws light on the Vinod Mishra-led CPI(ML)'s understanding of both the present national and international situations. They indicate several important departures from the CPI(ML)'s traditional political thinking on issues like the Soviet Union's domestic and foreign policies, and the Indian underground communist movement's attitude towards legal activities and elections. They also indicate the changes that have taken place in this particular group's operational tactics since it last met for its party congress in 1983. Incidentally, the documents of the last congress were printed clandestinely and were obtainable only through underground channels, unlike the present publication which is for open

The changes reflect the awareness that is dawning upon some of the Communist revolutionary groups about the need to bridge the gap between ideologically inspired strategy and realities of both the international and national scene. In one sense, nothing has changed in India since 1967—when the 'front paw of the revolutionary armed struggle' crept out from the dark backyard of Naxalbari. The gap is now only 20 years wider between the rich and the poor. But there is a change in the perceptions of both these sections of the Indian population, which reflect also the transformations that have taken place in the

economy and political scene during the last two decades since the Naxalbari uprising. By taking into account these changes and modifying in their light some of their tactics, the Vinod Mishra group is demonstrating a flexible approach to the multIdimensional complex reality of modern India. It is perfectly consistent with the spirit of Marxism and with the principle that thought reflects its concrete social situation, that there should exist several different sets of tactics in a multinational country like India today, each answering the specific needs and problems of its own socio-economic environment born of an uneven development. But in the absence of any firm adherence to a comprehensive strategy and a long-term objective, such flexible tactics could end up in mere drifting with current trends instead of leading up to a radical transformation of the Indian society—a fate suffered by the CPI when it began to change its strategy and tactics in 1950. We shall come to that in a moment.

### **OLD POSITIONS ABANDONED**

Meanwhile, let us note the major departures made by the CPI(ML) (when using the term, all through this review, we mean the Vinod Mishia led group, unless otherwise stated) from the old positions. While retaining the characterisation of the Indian state as 'semi-feudal' (made in the April 22, 1969 political resolution of the then united CPI(ML), it adds: "as a transitional form of feudalism into capitalism" (3.5), noting that in "certain states and regions, viz, Punjab, Haryana, western UP and coastal Andhra, agriculture has definitely developed on capitalist lines, and in many other parts of India too it is coming under the grip of modern farming, market economy and credit institutions in varying degrees". (3.2) The question however remains: have these outward symptoms of capitalism in the economy done away with the oppressive customs of the feudal social structure like caste discrimination, bonded labour, religious dogmatism-the features which led the CPI(ML) in 1969 to describe the state as 'semi-feudal'? Punjab is an illuminating example where feudalistic atavism in the shape of religious fundamentalism has emerged under advanced conditions of capitalism in agriculture.

From the early 1980s, the CPI(ML) had been abandoning a number of old positions, like the emphasis on 'annihilation' as the

only form of guerilla struggle, and the indifference to mass fronts and mass organisations. At its 1983 Congress, it advocated the policy of combining guerilla actions in the countryside with mass movements, and of working in mass froms. The formation of the Indian People's Front was an important development in this context. During the past few years the Front had participated in elections in many states, without however making any dent in the overall election process. The 1988 Congress, while recognising that the "final outcome of the revolution will be decided only hy an aimed revolution", has recommended a proper combination of both legal and illegal, secret and open, extraparliamentary and parliamentary forms of struggle and organisation for "turthering the cause of armed revolution in India". (4 3-4.4) As for elections, the CPI(ML) "desperately needs a group of resolute and capable representatives in the parliament as well as in state assemblies, because the combination of mass action outside the reactionary parliament and assemblies with an opposltion directly supporting it within these institutions will provide veritable boost to the revolutionary struggles". (1.7.2) To this end, the party proposes to enter the electoral process, contest either in the name of CPI(ML). where possible, or in the name of the Front, and attempt seat adjustments with "the large spectrum of left and left-of-the-centre parties in different states as long as it does not involve any common manifesto and common line of action". (1.7.4) It rules out the Congress(1) as an election ally, since it is "our main political enemy" as also the "rabidly communal and fundamentalist forces". It also discards electoral alliances in state assembly elections with "parties in power in the respective states whether they belong to the national or regional opposition". The CPI(ML) wants to be the "party of extreme revolutionary opposition in the arena of parliamentary struggle". (1.7.3)

The CPI(ML), in another radical departure from its old positions, does not rule out the possibility that "in future, in the conditions of acute political crisis with an upswing in powerful mass struggles and in certain exceptional cases there may arise the question of participation in government in a state or two... This is a specific question of tactics and should not be rejected out of hand". The CPI(ML) Political Organisational Report which refers to the above possibility, leaves to the party in future to define the conditions for participation in such a government. (1.3 5)

In this connection, the CPI(ML)'s changed attitude towards the CPI(M) deserves some notice. It continues to regard it—as well as the CPI—as social-domocratic, and remains critical of its forming a government in West Bengal, one of the issues which triggered off dissidence in the CPI(M) in 1967 and led to the later emergence of the

CPI(ML). But the 1988 Congress has approved of joint moves with Left forces (Including the CPI(M) on the 'Rajiv Hatao' question since the 'climate has changed and the people are talking about a left alternative" (Explanatory Answers by Comrade Vinod Mishra—2.3-2.4) It also acknowledges that the Left Front in West Bengal "enjoys mass support" and refers to its agrarian reforms which have helped it in expanding its social base, but which, given the prevailing economic structure would be "an impetus to the development of capitalist agriculture". (1.7 8) Although it criticises the Left Front government of West Bengal for educating the people only about central discrimination against the state-a propaganda which "often borders on the nationalist propaganda that Bengal and Bengalis are deprived of their due shares and co-operation is sought even from the Congress(I) MPs and MLAs from West Bengal" (1.7.6), the CPI(ML) is willing to support its demand for restructuring centre-state relations, its fight against the machinations of the central government to topple it, and even to support any of its candidates in certain conditions. (1.7.4)

While in the parliamentary arena, the CPI(ML) is expressing its desire to join the Left mainstream (represented by the CPI, CPI(M) and other Marxist parties), in the arena of armed struggle it is giving up some of the old dogmatic positions. Charu Mazumdar made a fetish of armed struggle turning it into a sort of athletic adventure with primitive implements. It sprang from Charu Mazumdar's Manichaean simplification of modern warfare into a moral struggle between evil and good, between leactionary policemen and revolutionary peasants, which led to the military failure of the Naxalite movement in the 1967-72 period. By attaching importance to military training and by planning to "work among the armed forces of the enemy and explore the possibilities of organising revolts of common soliders and lower-ranking officers" (4.4), the CPI(MI) today seems to give recognition to a long overdue task.

### **BEYOND PEASANTS AND WORKERS**

The CPI(ML) is also gradually realising that the dynamics of social change in India are not confined to the peasants and workers alone, but various other sectors like the national minorities, the 'dalits' women, and above all, culture-areas which are regarded in drthodox Marxism as secondary to the basic issue of class struggle. In its 'Policies and Tactics' section, the CPI(ML) has devoted considerable space to an analysis of these new areas of struggle, their positive and negative aspects, their radical potentialities and reactionary threats, and has outlined the party's tasks in these sectors. The approach to cultural activities in particular is refreshing. It recognises "the autonomous character of the cultural domain as well as of the autonomy of a cultural organisation", and asks its party workers to "refrain from sermonising the cultural workers" and envisages the people's cultural forum as a

"loose federation as It is harmful to venture into unnecessary centralism there". According to the CPI(ML), "politics and culture have their separate identities" and the relations between the political and cultural organisations should be "one of mutual help and encouragement". (1.7.30-1.7.32)

By attempting a totalising critique of the Indian situation with all its complex diversities, the CPI(ML) seems to be moving towards a comprehensive theory of transformation of Indian society and an integrated praxis-oriented strategy for such a transformation. In this respect, the CPI(ML) today stands out in sharp contrast both from the 1960-70 generation of Indian Maoists (who from their slavish adherence to China often overlooked the Indian reality), as well as from the present CPI and CPI(M), the staleness and anachronistic flavour of whose rhetoric are becoming increasingly apparent even to their strongest supporters.

Having said this, this reviewer now finds it necessary to voice some reservations. It may be recalled that like the CPI(ML) today, the unidivided CPI's Politburo in November 1950 adopted a policy statement saying that the "armed struggle has become the principal form of struggle" and stressing the need for "simultaneously adopting and coordinating all other conceivable forms of struggle, such as the economic and political strikes, demonstrations, agricultural labour and tenant struggles, signature collections for peace pledge, election contests and so on and so forth". By 1951 however, the party had diluted this approach to a considerable extent, when on October 31 that year, A K Gopalan on behalf of the party's central committee advised the Telengana peasantry and the fighting partisans to "stop all partisan actions and to mobilise the entire people for an effective participation in the ensuing general election to rout the Congress at the polls". The same month at the Calcutta Congress, the CPI adopted a statement of policy which said "the main question is not whether there is to be armed struggle or not. " and a programme which called for a "new government of people's democracy created on the basis of a coalition of all democratic, anti-feudal and antiimperialist forces in the countryside". Before that, in August, the CPI had already issued its election manifesto incorporating the call for such a coalition. Since then, neither in CP1 or CPI(M) policy statements, nor in their movements, has "armed struggle" ever found a place.

### LURE OF PARLIAMENTARY POLITICS

Given this experience in the Indian communist movement, it takes a great deal of optimism to view the new changes proposed by the CPl(ML) today without some anxiety. The womb that bore the history of abandonment of armed resistance and gradual seduction by parliamentary politics is still fertile. Years of hardship in the underground and the hazards of armed struggle might as well at some stage create an unconscious yearning to be reabsorbed into the system which

was once denounced. While it is of course necessary to find a breathing space out of the claustrophobia of the underground and take in the fresh air from the changing reality outside, one hopes that the CPI(ML), like its predecessors, is not devoured by the system which it is entering in order to make use of the legal institutions and opportunities that it offers.

There is however a difference from the 1950 days. The CPI(ML) has not laid down arms. Armed actions and mass struggles are continuing in Bihar, to which is devoted an important chapter in the party's Political-Organisational Report. In radically restructuring the party organisation, the CPI(ML) is retaining the secret apparatus as the nucleus while developing step by step a new legal apparatus. (1.5.6) The party is also conscious of the "many unhealthy tendencies" that infiltrate into revolutionary organisations while interacting with any bourgeois institution. (1.7.2) One hopes again that these will continue to act as safeguards to prevent the CPI(ML) from drifting into an opportunist course

The CPI(ML) is still a small party, and its influence is confined mainly to Bihar, where it has succeeded in continuing armed peasant struggle over a long period. Given the diverse levels of economic development and political consciousness and social and cultural stratification in India on the one hand, and the small, isolated bases of operations of communist revolutionaries (including the Party Unity group, the People's War group, the MCC, and other armed organisations) on the other, there does not seem to be any possibility of the development of a uniform, all-India revolutionary situation leading to a communist seizure of power immediately. The road to a revolutionary transformation in India therefore lies through a protracted course of patient politicisation of the people through propaganda and well-directed mass movements,

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as well as through building up armed struggles and guerilla bases wherever possible (as in parts of Bihar and Andhra Pradesh today). The CPI(ML) has wisely chosen a path of combining different types of activities at different levels as a part of this longterm objective. To protect its pockets of influence in Bihar from any future military encirclement and suppression (till now, let us remember, its armed squads had faced only the police and the landlords' musclemen), it will not only have to improve its own firepower and armed forces, but will also have to expand the areas of guerilla warfare, conduct struggles in other parts of the country and in the industrial areas, and organise insurrections in cities-tasks which are outlined in its General Programme. (4.3-4.4.) Instead of dispersing its limited human resources for organising working class movement in the entire industrial sector (which is one of the tasks mentioned in the 'Policies and Tactics' document), the CPI(ML) could do well to concentrate on a few vital sectors of industry-like transport, electricity, armaments-to build up a committed political following among workers there, so that at the opportune moment they can strike and paralyse the economy in coordination with a simultaneous agrarian uprising Bihar, being the hub of industrial trade unionism, tribal militancy, 'dalit' unrest and having a core of Navalite armed peasant movement, can well become a model for the future Indian revolution, provided all these different strands are co-ordinated in a well-regulated programme of action combined with a strategy that aims at changing the military balance of forces, either by improving the striking power of the communist revolutionaries, or neutralising a section of the state's armed forces, or both. Can Bihar become the avalanche of a revolution itching on the mountain tops of the fragile and rotten Indian political system? Or, can the cunning and manoeuvring Indian ruling classes, with all their available economic and military resources thaw out the avalanche to make it diffuse in a thousand conflicting and self-defeating streams? Till now, they have been successful in nipping in a bud any rebellion that had arisen from class conflicts and in manipulating sectoral and other differences among the poor to keep them divided.

To build up a revolutionary model, it is not only necessary for the CPI(ML) to preserve its bases of armed struggle, but to set up parallel centres of power in these bases which can carry out land reforms and other popular measures so as to provide the people (both in these bases and outside) with an alternative model, an embryonic form of the future people's democratic state that the CPI(ML) envisages. But neither the party's general programme nor its 'Immediate Agrarian Programme' pays adequate attention to this essential task. The concept of 'areawise seizure, of power', which Charu Mazumdar very correctly evolved as a first step in the gradual development of the revolution, seems to have been relegated to . the background.

Further, to consolidate the strength of the communist revolutionaries it is absolutely essential to bring together the various armed groups on a common platform of coordinated actions. Instead of coming closer, and in spite of repeated attempts to do so, the groups are drifting away. In Bihar, fights have broken out between the Vinod Mishraled CPI(ML) and the Party Unity group, with the other important Marxist armed group, the MCC, refusing to have any truck with either of the former two groups. The CPI(ML), while conceding that at times its guerilla squads had acted in a spirit of revenge against the Party Unity people (1.4.9), and pledging its determination for joint actions with the other communist revolutionary groups, feels that conditions for unity among these groups are lacking at present and therefore it thinks that its job is to consolidate its own party, "develop it much, more ahead of others and do all we can to stake our claims as the Party, against not only the various CR (Communist Revolutionary) groups but also hues of revisionists and opportunists". (1.5.8) Such an attitude forebodes further disunity and clashes among the groups operating in Bihar, with each trying to extend its influence and trespassing on the territory of the other

### ASSESSMENT OF WORLD COMMUNIST MOVEMENT

In its assessment of the international Communist movement, the CPI(ML)'s major departure is from the earlier Naxalite position regarding the Soviet Union. While it still continues to regard the USSR as a superpower ("linking to its taking imperialist system versus socialist system as the principal contradiction and assigning to itself an extraordinary role in world politics, while belittling the principal contradiction between imperialism and the people of third world"-1.1.12), it welcomes the "positive changes" that had taken place there of late, like the restructuring of the economy to serve the basic needs of the people, and political reforms to improve socialist democracy and curb bureaucratic control. It discards the old Naxalite (and Chinese) theory that the Soviet Union is 'social imperialist', and the Chlnese-inspired 'Three Worlds Theory' of identifying the Soviet Union as the main enemy (at the 1983 Congress, the CPI(ML) while stressing the need to "alert the revolutionary people against America", maintained that the "spearhead of the offensive should be directed against the Soviet Unlon"). It recognises the complications involved in the protracted process of building socialism in both Russia and China, rejects "ultra-left theories" about "great leap forward" (a reference to China), and is prepared to watch sympathetically the progress of changes taking place in both these countries.

It is good to see that the CPI(ML) after all these years has succeeded in shaking China off its shoulders. The political Organisational Report states: "We must decide our line of action independently on the basis of a concrete analysis of concrete

conditions obtaining in our country and not on the basis of any compromise necessitated by the foreign policy options of any socialist country with regard to the Indian ruling classes or any conceptual approach of any socialist country towards them". (1.1.14)

But there is the danger of being extragenerous and over-optimistic in assessing developments in China and the Soviet Union. While welcoming democratisation, communists should look deeper to find out the motivations of the present Soviet and Chinese leaderships, and the extent to which they are prepared to allow such democracy. Such permissive interludes are not new in socialist societies, and we remember the aftermath of the 'Prague Spring' and the 'Let a Hundred Flowers Bloom' campaign. How far are the economic reforms rooted to the basic ideological strategy of a socialist transformation of human beings? Or, are they stemming from the ideology of consumerism? Years ago, the American author Lillian Hellman described the US as the "admired enemy" of the Russians who had chosen to imitate and compete with the most vulgar aspects of American life. "The US good life is the to-be good life for them", she said. Will the current economic reforms initiated by Moscow and Peking bring about the triumph of the 'American way of life' in the socialist bloc?

Since it is revaluating the Soviet and Chinese policies, the CPI(ML) should have also recalled the record of their interference in the national liberation struggles, in democratic movements and in Communist Party affairs in the third world countries. To serve their respective interests, at times they have come to the help of the repressive regimes of these countries, at other times they have driven a wedge in the democratic movement by fostering their own factions. No better way could have been chosen to tarnish the image of communism than the Soviet occupation of Afghanistan, or China's continued support to the odd combination of Khmer Rouge and anticommunist guerillas against the Kampuchean government. If an upsurge threatens the Indian government and the ruling classes, will Moscow, which has immense stakes in the present status quo, remain an idle spectator? Will Peking refuse to jump into the fray? Will a revolutionary situation in India provide a choice terrain for US, Soviet and Chinese intrigues?

It is in a scenario over which these misgivings loom large that the Indian communist revolutionary groups have to plough their lonely furrows. Perhaps no role is more difficult to play today than that of the responsible revolutionary-who honestly shares both the belief in the ultimate need for armed resistance and the concern that it might go astray and bring down upon itself a crushing defeat, both the dream of a newborn socialist society and the memories of past mistakes and aberrations. Revolution is far less dramatic than it sounds. Most of it is spent in plodding and the patient process, of preparation -- a part of which is reflected in these documents of the CPI(ML).

# Issues in Political Theory

Sara Joseph

The Crisis of Political Theory: An Inquiry into Contemporary Thought by Om Bakshi, Oxford University Press, 1987, pp 130

BOOKS about problems and issues in political theory would generally be con sidered to be of interest only to students of political theory, a kind of in group activity intelligible only to the initiated In The Crisis of Political Theory Om Bakshi argues that this perception of the irrelevance of political theory for political practice is itself a symp tom to the malaise which affects political theory in our times. He traces the roots of the disease to the influence on contemporary theory of certain dominant modes of inquiry -behaviouralism, analytic philosophy and the historical approach being prominent among them The effect of these approaches has been to direct political theory away from its traditional concerns. Traditional political theory was concerned with both enipirical inquiry into existing reality as well as with normative theorising about alternative social arrangements It was thus, simultaneously, both empirical and normative Traditional political theory also adopted a problemsolving approach and this invested it with relevance for its times Recent political theory in the west, however, has started from the premise that empirical inquiry and nor mative theorising are two independent ac tivities. It has limited itself to theorising without the grounding in concrete analysis which characterised traditional theory Mov ing away from the study of substantive social issues, contemporary political theory has become an esoteric activity concerned with studying theoretical problems. It is this which has led to the decline of political theory in our times

Bakshi finds an explanation for the crisis of contemporary political theory in its acceptance of certain dichotomies-between fact and value, empirical and normative, objectivisin and relativism. He feels that political theory should transcend these dichotomies and undertake inquiry which encompasses all these different aspects of social reality Thus far the author's views are likely to evoke fairly wide acceptance. The more controversial aspects of his book relates to his views regarding how these dichotomies were transcended in traditional political theory For instance, it is central to his argument that traditional theory differed from contemporary theory because the former addressed substantive problems of society and that it was through the analysis of such problems that it could be both empirical and normative, objective yet also grounded in specific social conditions. Contemporary theory, on the other hand, being occupied with resolving theoretical pioblems, lacks an empirical base This view Is resterated a number of times There is no doubt some substance in these generalisations even though one can think of notable

exceptions among both contemporary and traditional theorists. But it could also be argued that the differences between traditional and contemporary theory to which he has referred are sometimes more apparent than real At some remove or other, social problems form the subject matter of most political theories, even of the more status quo oriented theories of our times True, some behavioural theorists appear to have been more concerned with generalising from the apparent success of their own social and political arrangements than with examining problems which might challenge those arrangements. But even in such cases, they have generally offered their generalisations as solutions to the problems of other societies. This was the case with the moder nisation theories of the 50s and 60s With analytic philosophers the focus on theoretical rather than substantive problems is more evident but even here, theoretical problems have generally been considered to be reflective of fcatures of social reality

One body of contemporary theories which have directly addressed substantive social problems are policy oriented studies. Yet these studies are objectionable for a number of reasons. It is doubtful therefore whether the substitution of substantive for theoretical problems by itself could resolve the crisis of political theory today. Further issues regainding the identification of problems and the assessment of solutions must also be considered. In this regard the author has thrown out some interesting suggestions but has not developed them in any detail.

Bakshi's view regarding the identification of problems is that it is an empirical issue and that a theorist's understanding of problems and solutions can be discussed in concrete (empirical) terms. There may be disaggreements regarding the nature and seriousness of the problems facing a society but since problems exist, whether or not a theorist takes cognisance of them, the issue is primarily an empirical one. Once a problem is identified, solutions can be assessed in relation to them

There are many problematical aspects to this formulation which cannot be discussed in the space of a review However, I would mention just one of them. A basic premise of Bakshi's argument appears to be that since social facts, and problems, can exist even if theorists do not take cognisance of them, they are theory neutral. Thus there can be 'purely empirical' analysis of problems. Solutions on the other hand, refer to alternatives to existing arrangements and they are therefore closely implicated with values. Leaving aside the issue of whether of not social facts can be theory neutral, an objection which can be made to this argument is

that it assumes the very distinction between empirical and normative analysis which the author would like to transcend

A debate which has penetrated much of contemporary political theory concerns the issue of objectivity and relativism in political theory The author has analysed the debate in some detail and has positioned himself among the different views on the subject. He rejects the view that values and norms are transcendental and objective as also the opposed view that they represent only the emotional responses of the theorist Both these views exclude the possibility of any objective discussion of values and norms. He also rejects as inadequate the neo-positivist position that values are implicit in all theorising since 'value slopes' are built into theories, and further, that there is a limited scope for the rational and objective discus sion of values. He points out that even this modified perspective assumes a relativism of values and that rational discussion of values can only be meaningful if the context and purpose of values' is taken into account His suggestion, therefore, is that if values are discussed in relation to the resolution of concrete problems, a measure of objectivity can be brought into the discus sion of values. Of course, the author's position also implies acceptance of a degree of relativism but he sees the choice of norms as problem related rather than culture specific or related to the emotional responses of the theorist

The scope of discussion in the book is very wide, touching on many contemporary debates and issues Unfortunately, a somewhat dense style with comment often being made by means of quotations, reduces the impact of the points which have been made. In spite of the often repeated view that political theory should focus on substantive social problems, the book is entirely devoted to the discussion of methodological problems It is most accessible if it is understood as an intervention in the debate which was begun by the behaviouralists and linguistic philosophers and extended by historians like Skinner, regarding how to understand and assess traditional political theory. It is questionable whether the significance of such an intervention can be stretched to elicit suggestions regarding how to resolve the crisis of contemporary political theory However, the patient reader will be rewarded by a number of perceptive comments regarding a wide range of theoretical issues

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# Developments in International Banking and Prospects of Indian Banks' Overseas Business

S K Verghese

In the context of major changes taking place in international banking and in the international financial markets, the institutional structure and technical expertise of Indian banks operating overseas will have to be revamped and made more responsive to market developments. This paper first traces recent developments in international banking and finance and then assesses the past performance of Indian banks overseas and their future prospects. The author concludes that unless prompt measures are taken to consolidate the overseas operations of all Indian banks in order to develop a few viable banking units abroad, there is a danger of being overwhelmed by the revolutionary changes taking place in the international banking world.

THE international banking and financial scene has been undergoing significant changes since the mid-1960s. However, in terms of their rapidity and breadth, the changes that have taken place since 1984 have been unprecedented. The recent changes encompass the nature and functions of different financial institutions, the range of instruments and financial intermediation techniques, hedging facilities and the approaches of bank managements and supervisory authorities to financial intermediation. Even the domestic banking and external financial relations of the developed and developing countries are also undergoing rapid and significant changes partly due to the breakdown of the conventional channels of international financial flows and partly due to the on-laught of the winds of innovation sweeping the global banking and financial scene However, the October crash of the stock markets and the extreme instability in the bond and foreign exchange markets have imparted a new element of uncertainty into the global financial and banking markets, the exact nature and magnitude of which is difficult to forsee at the moment. In this context, a realistic and objective assessment of the business prospects of Indian banks overseas requires (a) a clear understanding of the ramifications of the changes that have already taken place and are likely to take place in the international banking and financial markets, (b) an appraisal of the past performance of Indian banks in their overseas business and its lessons in order to identify future potential, and (c) the objectives and approaches of the supervisory authorities to the development of Indian banks' overseas

The first section of this paper deals with the recent developments in international banking and finance while the second section discusses the past performance and the future outlook for Indian banks' overseas business.

### Recent Developments in International Banking

It is important to be clear about the types of business we are considering as the expertise, funding problems, risk exposures and the supervisory issues would vary significantly depending on the type of business the banks undertake. Overseas business of banks may consist of domestic business in foreign countries through branches, subsidiaries, etc, and cross country business based on either or both home and host countries. Though it is difficult to precisely define international banking and finance in view of the complementarity and intermixing of domestic and international financial activities, it is now an accepted practice to include in international banking and finance only cross border assets and liabilities, as well as cross border fees and commissions. Io be more specific, the international banking and finance business consists of (a) eurocurrency business with non-residents and residents, (b) domestic currency business with non-residents, and (c) foreign currency business with residents. On the other hand, domestic banking activities undertaken by banks in foreign countries are basically retail business, similar to those undertaken in the home country and involve little or no country risks and international flows of funds. However, in recent years with the growing globalisation of banking and finance, the integration of various national financial markets and the intensification of competition. business hitherto undertaken as domestic banking is often transformed into international banking business depending on the emerging cost and hedging advantages.

### WHO CONTROLS INTERNATIONAL BANKING?

Until the late 1960s banks everywhere undertook what can be termed as traditional business under the close supervision of their authorities. During this phase of banking, banks of sound reputation attracted retail deposits from customers and utilised them to acquire generally high quality and selfliquidating short-term assets such as treasury bills, government bonds, trade bills, acceptance bills and also the provision of working capital to assist production. Short-term financing was considered as the legitlmate function of banks. External business of banks was confined to trade financing activities. To facilitate foreign trade financing, a wide range of complementary institutional support, legal documents, legal conventions, codes, etc, have been evolved over time. Notable among them are the acceptance and discount houses, bill of exchange, bill of lading, marine insurance policies and the uniform customs and practices for documentary credits (UCP). The skill required for undertaking trade financing business was just the knowledge of the provisions and implications of trade related documents and practices. Since interest rate and exchange rates hardly changed, there were no risks on these counts, nor was trading in funds and in foreign exchange reckoned by banks as profit centres. The earnings of banks came mainly from small but stable interest margins, fees and commissions for handling trade related documents, small margin from foreign exchange business etc.

The major revolutionary change in the late 1960s was the sudden transformation of the external business of banks from an essentially short-term retail trade related business into an enormous medium- and long-term eurocurrency lending business. Many factors contributed to this transformation. The reasons that prompted the banks to expand internationally vary from bank to bank and from banks of one country to another. From a historical perspective, it is evident that the changes in domestic economic and external financial conditions played an important role. In the case of a few countries the decision to go overseas was made by banks independently, while in others official policies and aproaches were decisive in determining whether and to what extent the banks were allowed to internationalise their business, particularly as regards their involvement in wholesale eurocurrency business. The US banks were typical examples of the first case while West German, French and Japanese banks were examples of the latter. For instance, the strength of their balance of payments and official encouragement were mainly responsible for the emergence of Japanese banks to the top rank of international banking activity since 1986.

The process of internalisation spearheaded by the US money centre banks was later emulated by banks from other countries. The US banks were prevented from interstate banking under the McFadden Act of 1927. Similarly, Regulation Q which prohibited interest payments on short term deposits affected the capacity of US banks to compete for deposits with non-banking institutions and also banks in overseas centres. The Glass-Steagall Act constrained US banks from undertaking merchant banking activities, while the restrictions on capital outflow limited their overseas lending capacity from their domestic bases. These domestic constraints, as well as the growing business potential offered by the financial needs of the US multinational companies, prompted US banks to adopt vigorous overseas expansion strategies, first through a network of overseas branches and subsidiaries in host countries and later through the burgeoning eurocurrency markets. Even so. international banking business during the early phase of the eurocurrency market growth was undertaken only by the large US money centre banks. It was only in the late 1970s that the US regional banks entered the market leading to the disastrous effect of many banks folding up their international activities after incurring unsustainable losses.

The major French banks, though played an important role in the financing of world trade until the Second World War, focused their attention after their nationalisation in the post-War years, to the channelling of domestic saving to domestic industrial growth according to the priorities determined by the government. However, since domestic banking was closely controlled, French banks found it difficult to compete effectively in the domestic market. Since foreign banking was relatively free, the major French banks entered the eurocurrency markets and used their ability to offer better international banking services as a competitive edge to attract domestic eustomers. The international business of French banks registered rapid growth in the latter half of the 70s.

Just like French banks, West German banks concentrated their attention on domestic business until the late 60s. As late as 1976 the Deutsche Bank, the largest German bank, had only two foreign branches. Since German banks were permitted to undertake universal and nation-wide branch banking, they did not have the same compulsion as US banks to go international. But the restrictions on capital leveraging in Germany prohibited a bank from holding earning assets more than 18 times its share capital. Since the leverage ratio applied only to banks and their branches, and not to subsidiaries abroad, German banks took advantage of this loophole to set up subsidiaries in Luxemburg and consortium banks in London in the late 60s and the early 70s, mainly to finance European-based customers. This was also a period when the deutschemark was emerging as an important international reserve currency. In the initial years of their international banking expansion, German banks handled mainly deutschemark denominated transactions

abroad. Soon business in other currencies, particularly the US dollar, was added. As a growing dollar business required comfortable dollar funding sources, German banks took the next step of establishing branches in the US, particularly New York. Their objective was to get established in the US market to have access to dollar funds to support their business elsewhere. Domestic banking in the US was not their main objective then. Since the early 80s, German banks have reduced significantly their international business, partly to meet the capital leverage ratio, and partly due to the pressure on profits arising from fixed rate lending in the domestic market and the financial problems of domestic customers, besides their large exposure to the troubled east European countries.

Japanese banks' international business has generally been conducted on an official leash. Immediately after the first oil price hike in 1973-74 the Japanese banks were directed to withdraw from international lending in view of Japan's uncertain balance of payments position. When these restrictions were relaxed in 1977 Japanese banks expanded their international business agressively, to be constrained again in 1978-79 in the wake of the second oil price hike. However, since 1986 Japanese banks have emerged as the predominent group, controlling over 32 per cent of the total international banking assets in 1986 as against 23 per cent in 1984.

The global size and international presence of Japanese banks are being buttressed by the liberalisation of the Japanese financial markets, its enormous current account surplus and the competitive edge provided by a lower capital-asset ratio requirement. Japanese banks accounted for over 26 per cent of the total foreign currency and sterling assets of banks in London in 1986 as compared to the US banks' 12 per cent share. In the US banking markets also the Japanese banks held an impressive 8.7 per cent in 1986 as against 3 per cent held by British banks. In fact, Japanese banks now account for nearly half of the total assets held by foreign banks in the US. Similar increases in Japanese banks' business are evident in all other financial centres. The enormous eurtent account surplus enjoyed by Japan in recent years has encouraged the ministry of finance to take a more liberal approach to Japanese banks' involvement in international banking and finance. Japan has an accumulated external surplus of over \$ 285 billion, most of which has been recycled through its banks and securities firms. The growing importance of overseas expansion to Japanese banks is evident from the fact that, in 1987 nearly half of their pre-tax profits came from overseas operations (¥ 731 billion or 46 per cent of the total profits). Falling interest rates, buoyant capital market activities and expanding international business through an enlarged overseas network helped Japanese banks to boost their pre-tax profits by over 40 per cent in 1987 over the preceding year's level.

British banks dominated the world finan-

cial scene during the heyday of the British empire. The decline of British economy and pound sterling and the introduction of exchange controls restricting the outflow of funds from the UK was about to jeopardise London's role as the premier international. financial centre. But the phenomenal growth of the eurocurrency business in the late 60s gave London a new lease of life as the most important financial centre of the world. Its crucial position in the time zone, the availability of well developed complementary services and the nurturing support provided by the Bank of England helped London to continue its predominance, despite the growth of a wide range of market instruments and market centres all around the world during the last decade. Banks in London undertake both retail and wholesale banking and financial activities. Besides the euromarket business, the financial services undertaken in London include UK related foreign trade, third country trade financing, interbank money and foreign exchange trading, wholesale corporate lending, acceptance financing, lease financing, international portfolio management, stock and bond trading, swaps, options, futures, etc.

Despite the continued growth of London as a financial centre, the share of British banks in international banking assets declined from 7.5 per cent in 1984 to 7 per cent in 1986. The share of banks of the major countries in international banking business is given in Table 1.

### RESOURCES RAISED IN INTERNATIONAL FINANCIAL MARKETS

The speed and extent of the internationalisation of banking and finance was influenced by the emergences of the enormous external imbalances among countries in the 70s, the high and sustained volatility of exchange rates and interest rates and declining role of the official development assistance to meet the deficits of developing countries. The oil price hike of 1973 and 1978-79 helped oil exporting countries to accumulate large surpluses which in the absence of immediate alternative investment outlets found their way into international bank deposits. On the other hand, the oil importing

Table 1: International Assets of Banks by Nationality of Ownership (\$ Billions)

Total Assets*	Per Cent		
333.1	8.4		
312.8	7.9		
1409.6	35.4		
168.4	4.2		
232.5	5.8		
629.7	15.8		
	22.8		
3982.9	100		
	Assets*  333.1 312.8 1409.6 168.4 232.5 629.7 896.8		

Note: \* Total assets outstanding at end-September, 1987.

Source: Bank for International Settlements, International Banking. Developments.— Third Quarter 1987, February 1988, p 25. developing countries suddenly faced the problem of having to find enormous funds to meet their growing current account deficit caused by the oil price hike But they had no access to the international capital markets Thus, there arose a profitable opportunity for banks to intermediate between the surplus and deficit countries. The banks were willing and able at this stage to play a decisive role in recycling enormous funds through the already existing eurocurrency market mechanism For this purpose, the banks used the techniques which they have been using in their domestic markets, with additional sophistications, such as floating interest rates, sovereign guarantees, cross default clauses and elaborate loan documentation to safeguard against all probable risks Unable and unwilling to shoulder the addi tional burden of assisting developing coun tries, the governments of industrial countries and the multilateral organisations like the IMF and the World Bank actively encouraged the new role of the banks, without perhaps realising then, the ramifications of a fast accumulating debt burden

According to the estimates of the Bank for International Scattlements (BIS) the gross outstanding assets of banks in the 15 reporting OFCD countries rose from \$ 689.7 billion in 1977 to \$ 1,627 billion in September 1982 while the net assets increas ed from \$ 430 billion to \$ 985 billion during the same period. The size of the eurocurren cy markets, a major component of the in ternational financial markets, increased from \$ 315 billion in 1973 to \$ 2,015 billion in September 1982, just before the collapse of the syndicated credit market. The net size (excluding interbank market) increased from \$ 160 billion in 1973 to \$ 940 billion by September 1982. In 1986 the cross border assers of banks in the BIS reporting coun tries increased by \$ 541 6 billion (excluding exchange rate effects) and in the first three quarters of 1987 by about \$ 431 3 billion to reach outstanding assets of \$ 3,779 billion at end September 1987

### THE CHANGING SCENE

In the fiercely competitive international lending environment of the 70s and early 80s, and supported by enormous liquidity in the markets, the eurocurrency business ex panded at rates in excess of 25 per cent per annum During this period, the banks adopted strategies of asset led growth for which dynamic liability management strategies were devised. An active and growing wholesale interbank market enabled them to increase their international lending without having to take the trouble of developing and retaining a commensurate deposit base. The major pre-occupation of the top management of the banks at this state was marketing of loans, while credit analysis and internal controls received short shrifts With hindsight it is not difficult to see that it was the exceptional success of banks in wholesale international lending that led to the external debt crisis of developing countries and the resultant diversification into off-balance sheet business and market oriented financial intermediation instruments. As these changes are still continuing it is difficult to determine their final outcome Some of the important features of the developments that have so far taken place include the decline in the role of banks in direct financial in termediation, the enormous increase in securitised lending, the growth of new finan clal facilities for raising funds directly from investors, the proliferation of innovative financial instruments, currency and interest rate swaps, financial and foreign exchange futures, foreign exchange and interest rate options, the increasing globalisation of financial markets and the decline of the ac cess of developing countries to international markets The October 1987 collapse of the stock markets and the renewed instability in the toreign exchange markets have not only affected investor sentiments adversely but also imposed heavy losses on the banks and other market makers. The medium- and long-term implications of the current financial and foreign exchange market turmoil on financial intermediation techniques are dif ficult to forsee at the moment

As already indicated one of the important factors that triggered and accelerated the structural change was the debt servicing problems faced simultaneously by a large number of developing countries since 1982. This had the effect of suddenly transforming a significant portion of the external assets of international banks into frozen non-performing assets Investors and supervisory authorities responded immediately, the former by disinvesting in banks' equity shares and diverting part of their investments

to capital market instruments and the latter by pressing for adequate provisions for bad and non performing assets and enhanced capital-asset ratios, including a more complex risk weighted asset ratio The only immediate option available to the banks under these circumstances was to effect a sharp and abrupt cut in further direct lending. The search by the banks for alternative nonfunding business and also a means to retain valued client relationships led to a spurt in their off balance sheet business, initially in the form of underwritten facilities and in subsequent period to non underwritten facilities. These facilities come under the broad category of note issuance facilities under which a variety of new financing techniques such as NIFs (note issuance facilities) RUFs (revolving underwriting facilities), curocommercial papers, etc., are undertaken The rapid changes in the financial markets have also been facilitated by the readiness with which banks have been willing to utilise the growing sophistication in computer and telecommunication (computronics) techno logy to banking, which made it possible for them to undertake several complex international operations requiring not only speed but also quick response and ongoing evaluation of risk exposure and yield potential

Since the late 1970s there has been a marked change in the official approach to financial intermediation as a result of the widespread and unqualified official acceptance of the advantage of the free market forces and the resultant liberalisation of linancial markets. The worldwide trend towards deregulation in the financial markets is characterised by the relexation of

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P N RASTOGI

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barriers separating the activities of different types of institutions, the removal of official ceiling on interest rates, the extension of the geographical domain of existing financial institutions, the reduction of barriers to entry into domestic financial markets both by foreign and domestic non-banking institutions and the increased encouragement to banks to undertake non-banking activities such as lease financing, trading in stocks and foreign exchange, interest rate and currency options, interest and currency swaps and financial futures. All these factors also helped in bringing about the integration of the major national financial markets to forge a free global financial market.

The increasing competition among banks themselves on the one hand, and between banks and non-bank financial and non-financial institutions on the other compelled the banks to search for new financing techniques and market avenues. As a result, a series of new financial instruments and innovative techniques have emerged, the risk and yield potential of many of them remain unevaluated even today.

Another important development during 1983-86 in the international financial markets has been the displacement of direct bank intermediation, particularly syndicated credit mechanism, by a wide range of new securitised lendings mainly the bond market. The share of syndicated credits declined from the peak of 55 per cent in the total medium- and long-term funds raised in the markets in 1982 to 13 per cent in 1986 while the share of bonds increased from around 28.4 per cent in 1984 to 45.6 per cent in 1985 but fell back sharply to 12 per cent in the first three quarters of 1987. From a rather negligible level the volume of note issuance facilities rose to account for 80-86 per cent of the total new funds raised in the market in 1986 while they accounted for just twofifths of the total funds raised until 1982. However, 1987 witnessed a significant setback to this market segment, particularly the underwritten note issuance segment of the market due to the application of capital ratio requirement to this segment by all major countries.

It needs to be emphasised that the spurt in securitised lending is the direct result of the developments in the syndicated credit segment during the 1982-85 period. The security instruments used include the traditional fixed rate bonds and their numerous adaptations, the floating rate notes, and new facilities (note issuance facilities, revolving underwriting facilities and eurocommercial papers). The new facilities involve mediumterm credits using short-term money market instruments, typically with maturities ranging from one month to six months with commitments or assurance that if the notes are not taken up by investors in the market on the relevant roll over dates, the managers to the issue would provide funds by buying these notes. The notes are expected to combine the beneficial features of both the shortterm money markets and the medium- and long-term capital markets. However, until recently the banks were the main investors

as well as issuers of such securities. In order to broad-base their funding sources and to improve the structure of their balance sheets, the banks resorted to the raising of mediumand long-term funds through bonds, FRNS and perpetuals with undated maturity terms.

The dramatic growth of securitised lending is also due to the changes that have taken place in recent years in the direction of balance of payments surpluses/deficits. In the 70s it was the OPEC countries who enjoyed the enormous surpluses and they had a preference for bank deposits. The OPEC countries are no longer accumulating surpluses and they have been replaced by West Germany and Japan. The private wealth holders of these countries prefer to hold their assets in the form of marketable securities. The US has emerged as the biggest deficit country. In contrast to developing countries in the 70s taking recourse to syndicated credits, the US corporate entities and the government prefer to borrow through the issue of securitised instruments. Thus the pattern of deficits and surpluses since 1985 has favoured securitised borrowing and lending while that of the 70s favoured bank deposits and its recycling through the syndicated credit mechanism.

The excessive volatility and prolonged misalignment of exchange rates and interest rates have encouraged the growth of innovative hedging techniques such as currency and interest rate swaps, currency and interest rate options and financial futures. The character of the innovative impulse sweeping the banking and financial markets has been effectively summed up as follows by Gerald Corrigan, the president of the Federal Reserve Bank of New York in his address to Overseas Bankers Club, London ". rapid advances in the application of telecommunications, sophisticated mathematics, and computer technology to banking and finance have introduced new elements of speed and complexity into the market place and in the process have amplified incentives to take advantage of domestic and international differences in laws, regulations, and tax and accounting practices. If it can't be done on the balance sheet, it is done off the balance sheet; if it can't be done on-shore, it is done off-shore, and if it can't be done with a tried and tested instrument, it is done with a new one."

While formulating the business strategy. of Indian banks' overseas business the main features of the international markets that need to be reckoned with are: (1) the globalisation of international financial markets and the growing Integration of major national financial and banking markets. (2) the growing securitisation of lending, (3) the decline in the banks' role in direct financial intermediation, (4) the increasing involvement of the banks in financial, trading and other untested risk activities that have not hitherto been considered as the legitimate activities for banks on prudentlal considerations, (5) the increasing role of non-banking financial instutions in financial Intermediation, (6) the willingness as well as the capability of lenders, borrowers, and financial intermediaries to adapt old instruments, to introduce new instruments and also, to a large extent, the readiness to discard instruments that failed to meet customer and investor expectations and (7) the increasing willingness of regulatory agencies to encourage competition and innovation while at the same time constantly keep under review the regulatory requirements of an industry which is undergoing a continuous process of rapid and extensive change.

# Performance of Indian Banks Overseas

The overseas business of Indian banks has had a chequered history. Though a few Indian banks ventured abroad more than four decades ago, it was only since the mid-70s that a significant expansion of Indian banks' overseas business has taken place. Until early 80s the business potential appeared attractive. However, in the context of the difficult international economic and financial environment since 1983, the profitability and asset quality of Indian banks' overseas business underwent a sharp deterioration, similar to the experience of most foreign banks. As a result, the rationalisation of the overseas branch network as well as business profile became inevitable. At present a process of consolidation and rationalisation is under way. In the context of the revolutionary changes taking place in the international banking and financial markets, unless the institutional structure and technical expertise are revamped and made more responsive to market developments, Indian banks may not be able to function effectively in overseas markets, be it retail banking in host countries or India related international banking activities.

On the eve of the nationalisation of major Indian banks in 1969, 7 Indian banks together had 56 offices in 12 countries (excluding the non-functioning offices of Indian banks in Pakistan under the control of the Custodian of Enemy Properties), During 1976-84 there was a rapid expansion both in the number of banks and their overseas branches. At the end of 1984, 13 Indian banks together had 141 offices abroad. During the 1985-87 period not only that no new Indian bank office was opened but several unprofitable branches were closed and the UK branches of Union Bank of India, Punjab National Bank, Punjab and Sind Bank and Central Bank of India have been transferred to other Indian banks operating in the UK. As a result of the consolidation and rationalisation initiated in 1986 the number of overseas offices of Indian banks declined to 122 and the number of banks having overseas offices came down to 9 at the end of 1987 (see Tables 2 and 3). However, the number of countries where Indian banks have branches remained unchanged at 25 at the end of 1987. Besides, they have 12 subsidiaries, of which 2 are jointly owned and 10 are wholly owned finance companies. There, are also 10 representative offices (See Table 2).

The growth in the volume of the overseas business of Indian banks is difficult to guage as the data reported in terms of rupees at current exchange rates against the host currencies are vitiated significantly by the divergent changes of the exchange rates of the rupee. At the end of 1986 the total overseas assets of Indian banks stood at Rs 14,590 crore compared to Rs 205 crore at the end of 1969. A major part of this increase is attributable to the growth of the eurocurrency wholesale business of off-shore branches of the SBI, Bank of Baroda and Bank of India, and a part to exchange rate changes.

#### **BUSINESS ORIENTATION OF INDIAN BANKS**

Until the late 70s Indian banks followed Indian emlgrants, unlike their western counterparts who followed either the flag or their multinational corporations. The branch network in the initial years was confined to those countries where a sizeable Indian coinmunity was present and generally the business relationship was limited to the domestic and trade related banking requirements of the Indian ethnic community. A still more important characteristic of Indian banks' overseas business was the linguistic nature of the opportunities sought by them. For instance, Indian Overseas Bank and Indian Bank had established their branches to service Tamil emigrants in Sri Lanka, Singapore and Hong Kong and Bank of Baroda had set up branches in Africa, Fiji Islands, Mauritius, and the UK to serve Gujaratis. Only the erstwhile Imperial Bank and later its successor the SBI had a broader Indian orientation to their business. In the case of all branches, retail domestic banking and trade related transactions constituted the mainstay of business, except in the case of a tew off-shore branches set up in the late 70s by the SBI, Bank of Baroda and Bank of India. A new initiative to develop a broader business transcending the ethnic profile was taken by a few banks in the late 70s but this phase also witnessed a number of small banks being permitted to set up overseas branches. In the absence of a coherent national policy on overseas banking, what happened during this period was the setting up of a number of overseas branches in far flung areas with hardly any existing or potential economic or trade relationship with India and also the proliferation of branches in centres where already an adequate Indian banking presence existed. The result was that in a few case there was hardly any scope for undertaking profitable business while in others the existing ethnic oriented business was split among the old and new entrants. The absence of a commensurate and dependable deposit base forced a number of Indian bank branches to rely on purchased funds (interbank funds) to finance their medium- and iong-term assets, thereby exposing them to liquidity risks and also higher funding costs.

During the rapid overseas branch expansion period since the mid-70s, the ability of the banks to support their highly complex and risky overseas business through adequate capital and international banking expertise did not receive due consideration. Banks with little or no overseas business culture were suddenly permitted to set up branches abroad at a time when the international economic and financial scene was undergoing major changes. The configuration of a number of unfavourable domestic and international developments abruptly altered the pattern of financial flows and the external payments positions of many

developing countries where Indian bank branches were either operating or exposed through trade financing operations. Thus the profits and asset quality of Indian banks came under severe pressure resulting in heavy losses or blocked funds. Overseas branches instead of contributing to profits turned out to be a significant drain on the head offices. These developments set off a series of measures both at the bank management and at supervisory levels to rationalise the consolidate the overseas, including the rationalisation of branches network and the setting up of appropriate controls and inonitoring systems.

### CONSTRAINTS UNDER WHICH INDIAN BANKS OPERATE

For a realistic appraisal of the past performance and the future prospects of Indian banks' overseas business it is important to keep in mind constraints under which they have to operate. The following are the main constraints:

(1) The bulk of international banking and overseas financial transactions being designated in the US dollar and other convertible currencies, an adequate resource base is necessary for Indian banks to undertake an increasing volume of business. Indian rupee is not a convertible currency. Besides, the balance of payments difficulties and the dwindling foreign exchange reserves make it difficult for India to support the overseas operations of a large number of Indian bank branches with adequate capital, working funds and assurance to meet the likely operating losses through remittances of foreign currencies. This constraint is likely to persist in the future also. Thus, Indian banks have to be self-reliant in terms of

TABLE 2: BANK WISE AND COUNTRY-WISE BREAK-UP OF OVERSEAS BRANCHES OF INDIAN BANKS

SI Country No	Bank of Baroda	Bank of India	Bharat Overseas Bank Ltd	Canara Bank	Indian Bank	Indian Overseas Bank	State Bank of India	Syndicate Bank	uco	Total
I Bangladesh	_		_	_	_	_	1			1
2 Bahamas	1		_	_	_	-	1	_	_	2
3 Bahrain	1	_	_		_		1		_	2
4 Belgium	1			_			1		_	2
5 Cayman Islands		1			_	_	1			2
6 Channel Islands	_	1	_			_	_	*****		1
7 Fiji Islands	11		_				-		_	11
8 France	_	1	_	_	_		1	_	_	2
9 Guyana	1	_		_		<del>-</del> •	_			1
10 Federal Republic of Germ	any —		-	_	_	_	1	_		1
II Hong Kong	· —	2	_	_	_	6	1	_	2	11
I2 Japan	_	2	_	_			2			4
13 Kenya	7	2	_		_	<u> </u>		_		9
14 Maldive Islands	_			_		_	1		-	1
15 Mauritius	6	_	-	_					_	6
16 Oman	3				_	-				3
17 Panama	_	_	_	_			1			1
18 Seychelles	1	_			-			_		Į
19 South Korea						1			-	1
20 Sri Lanka	_	_			2	3	1	-		6
21 Singapore		1	-		1	1	I		3	7
22 Thailand			1				-		~	I
23 United Arab Emirates	6		_					<del>-</del>	_	6
24 United Kingdom	11	13	_	1			5	1	.2	33
25 United States of America	I	2				_	4	_	_	7
Total	50	25	1	I	3	11	23	1	7	122

Notes: (1) Includes 8 off-shore banking units in Bahamas, Bahrain, Cayman Islands, Channel Islands and Singapore. (2) As at end-December 1987.

liquidity, resources for asset growth and also viability. The deposit growth of overseas branches in some countries (for instance, Mauritius, Kenya and France) is limited by the magnitude of their assigned capital.

- (2) Even if foreign exchange is not a constraint, the profits and profitability of parent Indian banks are not comfortable enough to enable them to bear even temporary losses in their overseas operations. The overseas asset and liability management strategies of Indian banks have to take into account this major constraint.
- (3) Indian banks are accustomed to operating in a stable but highly protected and regulated economic and financial environment. Even in this market, they are engaged in conventional commercial banking although their involvement in development banking has increased since the nationalisation of the major banks. But the policies and programmes for such activitles are generally initiated by the government. The banks have, as yet, no experience or expertise in investment banking which is the mainstay of international banking today. Acquiring international banking culture is difficult enough for Indian banks, even more difficult would be the investment banking culture to acquire, particularly since financial instruments, intermediation techniques and the market environment are undergoing rapid and fundamental changes.
- (4) The adoption of new generation computer, high technology telecommunication facilities and advanced mathematics to banking and other allied financial services by foreign banks makes it increasingly difficult for Indian banks to compete and build up more business. Unless there is a commensurate volume of business, the adoption of these innovative facilities is not viable. This vicious circle is not easy to break unless Indian bank branches are merged and rationalised.
- (5) Another major constraint which has been inadequately recognised so far is the lack of expertise and guidance from the top management of the banks for international operations. Very few top management personnel of Indian banks have a clear perception of the complexity and risk potential of international banking, as they themselves have no international banking expertise or exposure. Besides, their pre-occupation being with the aggravating management pro blems in domestic banking business and also the maintenance of contacts and rapport with the government and the bureaucracy. they have very little time or inclination to take an active professional interest in the overseas operations of their branches. In granting permission, often the viability of overseas operations may not receive due consideration. The viability studies made by the aspirant banks are often exaggerated. Inflexibility in organisational reform may also be encountered due to the need to balance the interests of different banks.
- (6) Reciprocity in granting banking facilities is generally insisted by most developed and developing countries. Restric-

tions or a ban on foreign state owned banks in a few developing countries constitute yet another set of constraints on the expansion of the overseas operations of Indian banks. The reciprocity principle is now used as a lever by some countries to gain entry into the protected domestic banking markets of foreign countries. Since there is aiready a. significant presence of foreign banks in India, and foreign banks are mainly interested in financing large corporate entities it may not be to the interest of India to open overseas offices in a country which insists on reciprocal facilities unless our bilateral trade and access to overseas funds can be enlarged by the presence of the reciprocal offices of the foreign bank in India.

It is interesting to note that in this respect Indian banking overseas has not progressed much from the days of the Indian Central Banking Enquiry Committee (1931). According to the views of a prominent Indian joint stock banker, quoted in the report, the chief difficulties in the way of an Indian bank opening a branch in London were as follows:

- (1) "The bank must have a large capital, say over Rs 2 crore, in order to command credit in the London discount market as well as with the exchange banks doing business in India.
- (2) To open a branch in London and maintain it on sound and proper lines, the institution should be in a position to bear a loss of Rs 5,000 or more every month for a period of at least three years on account of working expenses and other unforeseen losses which might naturally result for want of practical experience. To expect the branch to be self-supporting within three years of its existence would be too optimistic a view to adopt considering the strong position of the exchange banks and the very narrow margin on which the branch must work to attract business.
- (3) The branch must have a trained and reliable staff with some knowledge of international exchange.
- (4) The floating resources of the bank

TABLE 3: COUNTRYWISE DISTRIBUTION OF INDIAN BANKS OVERSEAS

SI Name of the Country No	Brar Conven- tional	Offshore Banking Units	Banking S Wholly Owned	Majority Owned	Affiliates	Represen- tative Offices
1 Australia	_					1
2 Bangladesh	1				-	_
3 Bahamas		2				-
4 Bahrain	_	2				
5 Belgium	2	-	_			
6 Bhutan	_			_	1	
7 Canada	~		1			_
8 Cayman Islands	~	2				
9 Channel Islands	_	1				1
10 Egypt		_	-		_	1
11 Fiji Islands	11					
12 France	2		-		_	_
13 Guyana	1		***		_	
14 Federal Republic of Gern						_
15 Hong Kong	11		3			
16 Indonesia -		-			-	3
17 Iran		-				1
18 Italy	-			,		1
19 Japan	4					
20 Kenya	9		1			-
21 Malaysia	_				1	
22 Maldive Islands	1				-	
23 Mauritius	6				-	_
24 Nigeria					2	
25 Oman	3					
26 Panama	1				-	
27 Seychelles	1		-			-
28 South Korea	1	-		-		
29 Sri Lanka	6	-			-	
30 Singapore	6	1				
31 Thailand	1		-			
32 UAE	6					-
33 UK	33					1
34 US	7		1			1
35 Uganda	-		-	1		-
36 USSR			-		-	1
37 Zambia			-	1		
38 Zimbabwe		-				1
Total	114	8	6	2	4	10

Notes: as at end-December 1987.
Source: Reserve Bank of India (DBOD).

should be large enough to permit a big

- (5) The 'political movement in India would affect the banking and trading facilities which an Indian bank could expect from British and foreign banks in London and at other places.
- (6) The bank should have its head offices in London rather than in India as its chances of securing import and export bills as well as bills for collection would then be greater and, being on the spot, the bank would be more conversant with the international monetary situation.
- (7) The bank could hardly expect to receive in London local deposits or other business from the British public or merchants and manufacturers. Even banks like Chartered, National and Mercantile are not much patronised by the public in London, and are chiefly known to business firms trading with the east."

#### **FUTURE BUSINESS POTENTIAL**

While assessing future growth potential, the main market segments that need to be evaluated are the following:

- (a) Overseas domestic banking and related activities,
- (b) Bilateral trade with India, third country trade financing activities and counter trade.
- (c) Financing Indian joint ventures and turnkey projects,
- (d) Treasury operations consisting of foreign exchange trading and trading in funds and in capital market instruments.
- (e) Eurocurrency lending, and
- (f) Investment banking activities, such as managing issues and participating in the management of capital and money market instruments.
- (a) Overseas domestic banking and related activities: The major part of Indian banks' overseas business at present consists of conventional domestic banking and trade related transactions. In the past the ethnic nature of the customer profile gave a substantial degree of stability to the business but in recent years several developments have taken place which have limited the future business potential of retail domestic banking business. The revolution in retail banking, particularly the electronic banking and the innovative payment systems and deposit accounts is likely to compete away the traditional customers of Indian banks. The liberalisation of Interest rates, including the removal of interest rate ceilings, in many countries and the emergence of acute competitive environment have increased the cost of funds by linking interest rates for retail deposits with that of the wholesale markets.

The small business volume of many Indian bank branches makes the use of sophisticated technology unviable. Retail branch banking in most countries, unless mechanised and computerised and also supported by unmanned installations, has become too expensive an institutional out-

fit. Competition among several Indian banks for the same ethnic business in London and Hong Kong has made matters still worse. The existing business can be handled more economically if the branch network in these centres are nationalised and integrated to develop an adequate volume of business.

Business prospects in Hong Kong, which until recently was good, has been affected adversely by the developing country debt problems and their impact on third country trade financing operations, the collapse of the real estate market and the political uncertainty due to its impending reversion to Chinese sovereignty in 1997. The recent stock market crash also has imparted a new dimension of financial uncertainty. At the moment the approach of the banks is to wait and watch until the political, economic and financial pictures become clearer. In the meantime it is desirable to focus attention on the short-term end of the market to avoid long-term exposure and risks.

In addition to the setback to third country trade financing, Singapore experienced an unprecedented slump in economic growth in recent years and though slight recovery is evident since 1987, the economic and financial conditions are far from being buoyant. The recent failure of one of the largest finance companies also had its ripples on the financial markets. The current global financial and foreign exchange market upheavals are likely to add to Singapore's problems. It is therefore doubtful whether it is realistic to expect better outlook for Indian banks in the near future. The offshore markets of Singapore has so far failed to pick up momentum from the slack wit-

nessed since 1985. The scope for increasing business in Canada needs to be explored in the light of the current process of deregulation and more liberal policy on the entry of foreign institutions into the Canadian financial markets. Besides, foreign investment banks are being allowed to conduct full range of securities business for the first time, as also all types of financial institutions, from commercial banks to insurance companies will be able to enter nearly all of one another's business by removing barriers that separate banking insurance, securities and trust business. In preparation a few securities firms have already undertaken mergers.

(b) Bilateral trade with India, third courtry trade financing and counter trade: In the initial years Indian banks opened overseas branches in those countries with which India had ethnic link and bilateral trade relationship. In later years, branches were opened in countries whose imports from India were very limited. The scope for taking advantage of the presence of Indian banks to develop India's exports still remains inadequately explored. By supplying timely information about products and export firms and linking them with overseas importers, much can be done to promote Indian exports, Special schemes for promoting counter trade also can be initiated by overseas branches of Indian banks, particularly with countries having external payment difficulties.

The overseas branches of Indian banks are not geared to render correspondent banking services to their domestic networks. Therefore the bulk of the trade related documents is still routed through foreign correspondent banks. Occasionally the fear that domestic business may be taken away from them by the Indian correspondent bank's home-based offices deter some Indian banks from routing their documents to other Indian banks' offices abroad. Even their own Indian branches are also being provided limited facilities by overseas offices of Indian banks.

Until recently overseas branches of Indian banks had a sizeable third country trade financing business, which provided them not only a good deposit base but also asset growth opportunities. Third country trade of Indian banks is concentrated in African countries, most of which are now facing external payment problems even for financing their current account balance.

The setback to world trade, the external debt problems of developing countries and the financial difficulties faced by some of the big Indian business firms have drastically affected Indian banks' third country trade financing business. The high exposure of a few Indian banks to developing countries with debt servicing problems has made this market segment a difficult one. Even in the existing business, only those which carry high risks and low margins goes to Indian banks, the high quality and high volume business are being handled by competitors. Besides, as the international economic and financial environment is becoming more uncertain and difficult, third country financing based on interbank funds may become less attractive to Indian banks.

There are suggestions that Indian banks should concentrate more on bilateral trade between India and host countries which they ignored hitherto. No doubt this is an area which requires more attention than what the banks have been giving in the past. But bilateral trade is only one of the potential segments and other allied segments also need to be identified.

(c) Financing of Indian joint ventures and turnkey projects abroad: This is a market segment where several Indian banks have been active in the past and with the growing involvement of Indian firms not only in the developing countries but also in a few developed countries as sub-contractors this sector appeared an attractive one. But several of these ventures and turnkey projects got into difficulties either due to deficient pro ject planning and execution or due to the drastic changes in the international and host country economic environment. The exact magnitude of the losses incurred by Indian banks is not yet available but it is widely known that several Indian banks have encountered problems in this area. Experience in financing turnkey projects in the middle east and Africa also has been rather unsatisfactory. Besides, with the dwindling of the export earnings of many of the oil exporting countries the momentum of joint ventures and turnkey projects has slowed down considerably, a trend which is unlikely to be reversed in the future.

(d) Treasury operations: Treasury operations in banks consist mainly of foreign exchange trading, Interbank dealings and other market related business. These are highly specialised tasks which carry great risks. In all major international banks, treasury operations are profit-oriented transactions. Due to the inability of Indian banks to take high risks and also due to the lack of expertise and adequate financial resources they can ill-afford to engage in treasury operations in a significant way, except to manage their own foreign exchange and funding requirements. As interest rates and exchange rates are fluctuating sharply, the potential risk to Indian banks is greater than the risks to dollar and other convertible currency based banks. For engaging in swaps and options an active presence in the foreign exchange and financial markets is necessary which is obviously not within the capability of Indian banks at present.

However, if suitable organisational reform is effected, a larger Indian institution (or a limited number of institutions) with adequate capital and resource base could be in a position to hire and retain competent staff to make a modest presence in international money and foreign exchange markets. The small individual bank branches, as they are today, are inappropriate outfits to undertake any sizeable treasury business, since international financial markets have become increasingly global and sophistications and complexities are taking place daily. It is necessary from the overall national point of view that at least two or three Indian banks should establish their presence in the foreign exchange and money markets mainly to handle their own funding and hedging requirements and to a limited extent to be able to be in touch with the market. It is obvious that all overseas branches of Indian banks cannot undertake these activities. Only two or three banks with adequate capital and proven management competence should be encouraged to engage in these activities. Before they do so it is necessary to ensure that they have the requisite specialised staff, well-equipped dealing rooms and appropriate systems and procedures for monitoring and evaluating risks.

It is a matter of common knowledge that in the last few years Indian banks have fared badly in their overseas operations. Even Indian banks with a long tradition of overseas business and supposed competent management have also not performed any better. Leaving aside the problems arising from misjudgments/fraud, etc, of the individuals involved, it is important to recognise that most international banks also faced severe problems/losses in their international banking operations as the business environment itself turned highly uncertain and risky. Though it is necessary to be cautious, we must guard ourselves from taking a pessimistic view. The lessons of the setback should instead encourage us to intensify our efforts to develop expertise, institutional reform and appropriate control and monitoring systems to establish an adequate presence abroad. The rationale for this approach stems from the fact that the financial liberalisation and the globalisation that we are witnessing today are the corollary of developments on the economic and policy fronts. They are unlikely to be reversed in the foreseeable future. The liberalisation of the major financial markets compells even the reluctant countries to liberalise their markets in order to survive competition, to prevent the marginalisation of their own national markets and the extinction of their financial intermediaries. Thus, if the process of change is irreversible, it is important that at least a few Indian banks learn how to use the market instruments and environment appropriate to the national requirements. For this learning, they must have the opportunity of participating in the market, although not as big market players.

(e) Eurocurrency Lending: Despite the modest revival of the eurocurrency loan market in 1987, in the wake of the persistent trouble in the bond and stock markets. a significant growth of this sector is not expected. The tiering of the loan syndication market in favour of more creditworthy customers and countries may make it possible for Indian banks to increase their role to raise funds for on-lending to Indian customers Their function in this sector may include securing small and medium sized loans either directly or through privately placed syndications and acting as merchant banks to design appropriate financing packages for Indian projects.

For Indian banks to play an effective role in the short- and medium-term loan sector as indicated above, a multi-pronged strategy nceds to be adopted. At present, the offshore branches of Indian banks located in selected major financial centres are undertaking these functions. In addition, the public sector banks should be permitted on a selective basis to raise foreign currency loans for on-lending to their domestic customers (local as well as foreign requirements of Indian joint ventures abroad) by using their existing correspondent network. It is not necessary for these banks to have overseas branches or representative offices for raising and servicing these loans. In fact, in France and a few other continental countries, international lending by their banks to non-banks are, to a large extent, booked domestically. It would be necessary to make appropriate modification in the provisions relating to withholding tax and also exemption from CRR, SLR, etc, on such borrowings. It is unrealistic to fear that permission for banks in India to borrow abroad, within the framework of the overali external borrowing limits and guldance, will impinge on domestic monetary policy. As already indicated, such facilities should be permitted only for selected borrowing for approved purposes. This scheme will provide a cheaper method for Indian banks to raise project finance for meeting their import contents. There is considerable scope for taking advantage of this channel due to the following reasons:

- (1) The good and extensive correspondent network the Indian banks have already built up may give them access to foreign funds through this channel.
- (ii) Savings on operating expenditure abroad as no foreign installations are called for.
- (iii) The utilisation of the fund can be directed for specified productive purposes by ensuring their proper on-lending.
- (iv) Expertise in Indian banks can be slowly built-up without exposing them to undue risks and expenses. All that is required for activating this strategy is a modification in our non-resident foreign currency deposit scheme.
- (v) The monetary and exchange market implications of the scheme can be closely watched and regulated by the RB1 and the scheme can be modified from time to time to suit our specific requirements.
- (vi) Already 1CICI, IDB1 and Exim Bank are permitted to borrow from abroad and the techniques and procedures are in place which can be extended to a few selected Indian banks.
- (f) Investment banking activities: Investment banking includes a wide assortment of activities ranging from issue management. creation of secondary market in the issues handled by the bank, trading in stocks and money market instruments, options, futures and in foreign exchange, lease financing, portfolio management, currency and interest rate swaps, etc. Until a couple of years ago investment banking was the domain of merchant banks, brokers and finance companies. Even today in several countries (including the US, the UK and Japan) a rigid distinction between commercial banking and investment banking is maintained. (These are being dismantled.) Germany pursues a policy of universal banking. Banks in countries where the distinction is still maintained have to undertake investment banking by setting up merchant banking subsidiaries. With the globalisation of financial markets, the liberalisation of capital controls, and also the emergence of innovative financial instruments, banks are increasingly getting involved in investment banking. However, experience so far has not been encouraging. In retrospect, several securities houses and banks have found that they have not fully understood or assessed the risks involved in some of the innovative instruments and a few of them have even already withdrawn or effected cuts in their trading operations to get management's grip on their sprawling business in new fangled financial instruments. For instances, as a sequal to large trading losses Salomon Brothers, the largest investment firm on the Wall Street, decided in October 1987 to cut down its trading business in municipal bonds, commercial papers and short-term bank liabilities. Other notable withdrawals in recent month include the chemical Bank from new issue business in the euromarket, the Orion Royal Bank (London) from market making in UK government bonds and eurobonds, Lloyds Bank from market making in eurobonds and

gilts, Dean Witter from Eurobond trading and Hill Samuel from eurobond trading. Significant losses, estimated to be around Skr.750 million (\$ 124 million) have been suffered by banks and brokerage firms in Sweden recently in their option related business. Many of the new innovative instruments and practices though gained popularity as devices to protect against unforeseen changes in credit conditions, Interest rates and exchange rates, have been the sources of risks to those who are actively trading in them. London's 'Big Bang' reform of 1986 has triggered an enormous volume of transactions in stocks, futures and options but the magnitude of the risks involved in such trading has not yet been fully comprehended.

It is obvious that a significant involvement of Indian banks in international investment banking is unlikely in the near future. Their participation, if any, in this market would be as users rather than as market makers. A few Indian corporate entities have accessed the swap market but in all cases the swaps have been arranged by foreign banks. Even if Indian banks decide to venture into this field, their involvement would continue to be marginal in view of the highly specialised nature of the business and the inability of Indian banks to 'park' these transactions in their own books due to the limited/volume of their business.

## NEED FOR INCREASING THE CAPITAL OF INDIAN BANKS

A major constraint in the growth of overseas banking business of Indian banks arises from their low capital resources. Capital is one of the several factors to be considered while assessing the strength of a bank, the other being asset quality, profitability, management competence, diversification of business, etc. However, in the context of the growing risks exposure of banks to developing countries and new untested financial instruments and trading activities, supervisory authorities of major countries are insisting not only on adequate capital but also risk-weighted capital-asset ratios for their banks. Freely available capital of a bank is expected to provide a cushion to meet loan losses until policy and strategy adjustments have time to make their effects felt on profitability. When a bank's profitability and capital ratios are both low in comparison to other banks, its ability to attract deposit and interbank funds is limited. In the case of branches operating overseas the host supervisory authorities insist on specific capital allocation. Though major Indian banks are state owned, foreign investors, banks and host supervisory agencies view the strength of the banks in terms of normal commercial standards. In this respect, it is important to note the efforts now being made by the Basle Committee on Banking Regulations and Supervisory Practices to achieve the strengthening in capital resources of international banks and also to achieve some convergence of capital adequacy standards of different countries to remove an important source of competitive

inequality. In its proposal, the committee indicated that 10 countries have favoured a target standard of 8 per cent risk weighted capital-asset ratio consisting of a two-tier capital structure (a) 50 per cent capital and published reserves and (b) 50 per cent supplementary capital consisting of undisclosed reserves, asset revaluation, general provisions, hybrid capital instruments and subordinated term debt, subject to certain conditions. A risk weighted asset approach to capital adequacy ratio has also been favoured by the committee.

There is a growing recognition in India that the capital ratios of Indian banks need to be improved and it is evident from the recent measures to allot more capital in stages to these banks. In selected cases overseas offices of Indian banks are also permitted to retain their profits to upgrade their capital-asset ratios. Yet the capital levels of Indian banks continue to be inadequate as seen from Table 4.

### ORGANISATIONAL EFFECTIVENESS

The strategy adopted by India at present to establish consortium banks in overseas centres does not appear to be an appropriate strategy in the present international context. Consortium banking, which was experimented widely by banks from a number of countries in the late 60s and early 70s has failed to serve its purpose. Most of them have been bought out by one or the other of the participating banks. The frustration experienced by the managements of the consortium banks due to lack of support and divided loyalty of the participating banks are too well known. There is no reason to believe that the Indian experiment is going to be any different. The implicit understanding of the participating banks in the Indian consortium finance companies to depute their executives at various levels to represent them in the finance companies, rather than these companies developing their own cadre of officers independently, will add to their problems. Besides, the capital of the overseas consortium outfit established by Indian banks is also too inadequate. Some of the participating banks are able to obtain such larger lines of credit and other access to funds than their joint deposit taking company. The lack of visible backing of the participating banks in the deposit company will be a handicap to the consortium banks finance companies. In this respect also a holding company may prove more advantageous. In fact the experiment by a few Indian banks to set up joint banking unit abroad has proved to be a non-starter.

What is necessary at this stage is an effective national strategy to develop the institutional set-up, capital base, expertise and management capabilities to enable Indian banks to focus their attention on those market segments where the potential is great. A clear understanding of their objectives and better planning are essential for Indian banks to grapple with the complexities and problems of international banking. Since the objective is to be effective and profitable abroad, branches found to be unviable and

too small should be closed or merged with other branches to help the development of a few branches with adequate capital and commensurate volume of business.

### POLICY FRAMEWORK FOR IMPROVING OVERSEAS BANKING BUSINESS

A fundamental change in the approach to overseas banking of both the supervisory authorities as well as bank managements is necessary to forge a dynamic overseas banking sector. The main elements of a national policy for developing an effective and profitable overseas business should include the following:

(1) An intelligent and informed guidance rather than rigid and uniform bureaucratic control over overseas banking. The crux of the issue here is a judicious balancing of freedom of operation and scope for individual initiative with viability of banks and also integrity in decision making. In a fast changing environment, a bank can survive and prosper only if it makes timely changes in policy and directions in response to market developments.

TABLE 4: CAPITAL ASSET RATIO OF SELECTED BANKS

(Per Cent)

		(10) 00///
Ca	pital/A	ssets Ratio
	1985	1986
United States		
Citicorp	4.64	4.73
Bank of America	3.96	3.95
Chase Manhattan	5.25	5.37
Manufacturers Hanover	4.77	5.16
J. P. Morgan	6.50	6.87
Chemical New York	5.19	5.31
Security Pacific	4.66	4.66
Security Pacific Bankers Trust	5.19	5.06
japan		
Dai-Ichi Kangyo	2.38	2.38
Fuji Bank	2.82	2.89
Sumitomo	2.85	2.95
Mitsubishi	2.88	2.99
France		4
BNP	2.02	3.15
Credit Agricole	4.33	4.36
Credit Lyonnais	1.23	1.91
Societe Generale	2.27	2.90
Paribas	1.64	2.22
	1.04	4.24
Germany Deutsche	3.99	3.93
Dresdner	2.82	3.24
Westdeutsche Landesbank		2.78
Commerzbank	2.81	3.33
Switzerland	4 01	3.33
Union Bank of Swizerland	46 70	5.71
Swiss Bank Corp	5.77	6.15
Credit Swisse	6.07	5.88
	0,07	2.00
United Kingdom	4.00	
National Westminster	4.09	5.54
Barclays	5.07	4.71
Midland	3.18 5.25	3.80 5.74
Lloyds Standard Chartered	4.30	4.02
	4.30	4.02
India	1.63	1.52
State Bank of India Bank of India	1.52 1.26	1.52 1.53
Central Bank of India	1.09	1.53
Bank of Baroda	1.41	1.79
Canara Bank	1.51	1,99
Punjab National Bank	1.21	1.96
Syndicate Bank	1.31	1.33
CATTORICE POLICE	****	

Source: The Banker (London), July 1987.

(2) A selective approach in permitting Indian banks to operate overseas. Larger banks with international business experience, large resources to bear losses and management involvement and competence should be the criteria for selecting banks to set up overseas branches/subsidiaries. The branches of smaller banks to be merged with those of the selected banks to reduce the number of banks with overseas branches to 3 or 4 banks.

(3) Proliferation of branches in the same financial centre should be avoided in order to derive the benefits of economies of scale and a broader business profile. The existing branch network to be rationalised after systematic evaluation of business potential. Non-viable branches to be closed down or merged with viable branches. A global network of selected banks (in carefully selected centres) can offer considerable competitive advantages and also wider resource bases.

(4) The capital/asset ratio of banks selected for overseas business to be raised in reasonable phases to at least a minimum of 5-6 per cent. Separate foreign currency capital may be allocated. Profits permitted to be retained abroad to bring the capital ratios on par with the ratio recommended by the Basle Committee on International Banking Regulation and Supervisory Practices.

(5) Personnel policy of banks to be changed to permit the development of a highly competent cadre of bankers for specialised jobs such as foreign exchange and money dealing, fund management, capital market issue management, swaps and options. The salary and other emoluments of the specialised staff to be flexibly fixed to help in building an adequate incentive element in

(6) Staff rotation policy also to be suitably revised to facilitate the development and retention of highly skilled personnel in professional positions.

(7) Appropriate control and monitoring systems capable of guiding and controlling business in a changing environment.

(8) Greater involvement of the top management in their banks' overseas business. Banks selected for overseas operations must be required to develop expertise in international banking and finance at the top, supervisory and operating levels.

To conclude, it is important that we undertake a realistic assessment of the performance of the overseas operations of Indian banks. Based on this assessment, unless we take prompt measures to consolidate the overseas operations of all Indian banks to develop a few healthy banking units abroad, our bank branches may be faced with the danger of being overwhelmed by the revolutionary changes in the international banking world. It is also important for the government/RBI to spell out clearly but pragmatically the national objectives and direction for developing an overseas business for Indian banks.

[An abridged version of this paper was presented at the Eleventh Bank Economists' Conference in Bombay, March 2-4, 1988.]

### RALLIS INDIA LIMITED

It is hereby notified for the information of the public that RALLIS INDIA LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for establishment of a New Undertaking. Brief particulars of the proposal are as under:

- 1. Name and address of the applicant
- Rallis India Limited Ralli House. 21, D.S. Marg Bombay 400 001.
- 2. Capital structure of the applicant organisation:

Capital structure as on 1st November, 1987: AUTHORISED: Ordinary Shares of Rs. 10/- each Rs 10,00,00,000

ISSUED AND SUBSCRIBED: Orginary Shares of Rs. 9,52,30,700 Rs. 10/ each

3 Management structure of the applicant organisation indicating the names of the Directors, including Managing/Wholetime Directors and Manager, if any

Mr. D.S. Seth Dr. F.A. Mehta Mr. Y.N. Mafatlal Mr. V.N. Nadkarni Mr. S. Parthasarathy Mr. DR. Peters Mr. H.J. Silverston Mr. J.K. Setna Mr. V.J. Sheth Dr. Ram. S. Tarneja

Mr. R.D. Thomas

-Director - Director -Director -- Director - Director -Director Director

-Chairman

-Director

-Director

-Director

- Indicate whether the proposal relates to the establishment of a New Undertaking or a New Unit/Division
  - : The proposal relates to the establishment of a new : undertaking
- 5. Location of the New Undertaking/Unit/Division: The new undertaking is propos
  - ed to be set up at: Village Bir Dadralah, Dera Bassi,
  - Patiala, Punjab. Same as in (2) above.
- Capital structure of the Unit/Division/ Undertaking
- In case the proposal relates to the production, storage, supply, distribution or marketing or control of any goods/articles, indicate:

: Oil Field Chemicals such as

(i) Names of goods/articles

Cement Additives Water Injections, Water Treatment Chemicals. Speciality Chemicals, Mud Chemicals and Chemicals used for transportation of Oil & Gas 6000 Tonnes per annum (tpa)

- (ii) Proposed Licensed Capacity (iil) Estimated Annual Turnover
- : Rs. 540 lacs
- In case the proposal relates to the provisions: Not applicable of any services, state the volume of activity in. terms of usual measures such as value, income, turnover.

9. Cost of the project

- : Rs. 45 lacs
- Scheme of finance, indicating the amounts to be raised from each source
- : Internal resources Rs. 45 lacs

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastri Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest thereon.

Dated this 20th day of April, 1988.

RALLIS INDIA LIMITED B. K. LASKARI COMPANY SECRETARY

# Ethnopolitical Issues in South-East Asia

Jawid Laig

This paper surveys the more conspicuous ethnopolitical issues in the member states of the Association of South-East Asian Nations (ASEAN). The paper's focus is on the interaction between state policies and politically active ethnic groups.

The author first looks at ethnic groups who have a concentrated territorial base and have usually asserted themselves through separatist political movements. The paper then examines a single ethnic group, the Chinese, who are geographically dispersed all over South-East Asia but can be called central for being politically influential, economically effective, urbanised and strongly represented in the capital regions of the ASEAN states.

DEFINING ethnicity has become an academic industry. There is no point here in entering the semantic debate on ethnicity. In the final analysis, ethnic groups, like nations, are a collective state of mind, a collective consciousness of fellow-feeling. Ethnic consciousness develops through a community of language, of race, of religion, of regional concentration, in various combinations. There are many other strands of ethnic consciousness, such as collective economic abilities, which are usually less conspicuous than the four strands just mentioned. Collective economic interest or class consciousness is generally regarded as opposed to ethnic consciousness, though class and ethnicity do often reinforce each other.

When one or more of the strands of ethnic consciousness get entangled with the regulatory or coercive powers of the state, ethnopolitical issues are born and nurtured. State power can also become the vehicle of particular ethnic groups, alienating those ethnic groups who do not wield state power.

Alternatively, the state can be a powerful arbiter between contending ethnic groups or in the case of a weak state, like Lebanon, a powerless arena for conflicting ethnic groups.

This paper limits itself to a survey of the more conspicuous ethnopolitical issues which have arisen or continued in the member states of the Association of South-East Asian Nations (ASEAN) after ASEAN came into being in 1967 with the signing of the Joint Declaration of August 8 in Bangkok by the foreign ministers of Indonesia, Malaysla, the Philippines, Singapore and Thailand. Brunei became the sixth member of ASEAN in 1984, after having become fully independent on the first day of that year. Independent Brunei has not so far been faced with any major ethnopolitical issue.

This paper's focus is on the interaction between state policies and politically active ethnic groups.<sup>1</sup>

The paper first looks at ethnic groups who have a concentrated territorial base and have usually asserted themselves through separatist, political movements. Most of these groups can also be referred to as peripheral as they are usually politically isolated, economically stagnant and situated on the geographic periphery of the ASEAN states.

The paper then examines an ethnic group, the Chinese, who are geographically dispersed all over South-East Asia but can be called central for being politically influential, economically effective, urbanised and strongly represented in the capital regions of the ASEAN states.<sup>2</sup>

I

### Concentrated, Peripheral Groups

MUSLIMS OF SOUTHERN THAILAND

The Muslims of southern Thailand are concentrated in the four provinces of Navathiwas, Pattani, Satul and Yala, where they form a majority of the population, though they amount to only three per cent of Thailand's total population.3 They are concentrated in an area which is geographically and politically remote from the capital city of Bangkok but is sensitive as it borders Malaysia, whose dominant Malay ethnic group are akin to the Muslims of southern Thailand through the Malay racial/cultural stock, the Malay language and the Islamic faith. In ethnic terms, southern Thailand's Muslims are closer to Malaysia's Malays, who form 44 per cent of that country's population, than to the Buddhist, Thai-speaking 60 per cent majority of Thailand. The Thais are of a distinct racial stock whose genetic origins and cultural/historical memory are quite different from those of Malay racial stock who extend from southern Thailand, through Malaysia and most of Indonesia, into the Philippines.4

It is, therefore, not very surprising that southern Thai Muslims have been prone for several centuries to separatist sentiment and to sporadic rebellion against the central Thai authority. In this century, there have been Thai Muslim armed rebellions in 1910-11, 1922-23, 1947-48 and small-scale skirmishes between bands of insurgents and the Thai army and police in the 1960s and 1970s. These limited armed skirmishes have continued into the 1980s, spearheaded by the Pattani United Liberation Organisation (PULO) which demands an independent state of Pattani.

The skirmlshes have not escalated into a bigger confrontation for two major reasons: That government policies, particularly in the religious sphere, have been relatively flexible and there has been no assistance to the rebels from any foreign government.

In the modern period of Thai history, after Thai royalty lost its autocratic powers

in 1932, Thai governments have not tried too hard to assimilate the Thai minorities into any national mainstream, except in the late 1930s and early 1940s when Pibul Songram's regime attempted a rigid assimilation policy.<sup>8</sup>

In the Islamic sphere, Thai officials consult Muslim advisers. About one-third of Thailand's 72 provinces have Islamlc Councils (majlis) whose members supervise local religious affairs and serve, as advisers' on Islamic matters to provincial governors. In addition, in the four southern, Muslimmajority provinces, Islamic judges apply the Islamic law in disputes over inheritance and family matters. The government maintains control over these Islamic functionaries; the judges are government officials who wear government uniform. 9

At the national level, there is a Muslim Councillor for Islamic Affairs (Chularaymontri) who is the king's representative in Islamic matters.

On questions of racial identity and language, Thai policies have been less accommodating towards Thai Muslims than in the purely religious sphere. The Malay language, which is the mother tongue of southern Thai Muslims, is not taught in government schools, not even as a second language. The distribution of Malay language newspapers from Malaysia is strongly discouraged. Malay racial and linguistic identities in the southern provinces—and not religion—are regarded by the Thai state as sources of separatist sentiment.

This is part of the reason why there is little overt tension and minimal communal violence between Buddhists and Muslims in Thailand. Tension in the southern provinces takes the form of government vs people or ruler vs ruled and not communal conflict. 10

The scale of anti-government violence in southern Thailand is low. The major factor in discouraging the growth of separatist violence is that successive governments in neighbouring Malaysia have consistently refused to endorse any ideas of merger or separatism among the Muslims of southern Thailand. Thai Muslim separatists have sought the support of Islamic organisations and governments, further afield, but without success, 11

There has been some limited tactical cooperation between Thai Muslim separatists and the guerrilla fighters of the Communist Party of Malaya and of the Communist Party of Thailand in the area. Ideological and ethnic differences have blocked the way to any strategic alllance between the communists and the Thai Muslims. Most of the remnants of the fighting forces of the Communist Party of Malaya who escaped into the jungles of southern Thailand in the 1950s and 1960s were Chinese, though born and bred in Malaya. This factor distanced them from the ethnic Malays of Malaya (later Malaysia) and from the Malays/Muslims of southern Thailand.

In the 1970s, the Communist Party of Maiaya did succeed in gaining the support of some Thai Muslims. According to official figures given by the Malaysian government in 1977, out of a total of 2,054 activists of the Communist Party of Malaya, mostly based in southern Thailand, 1,416 were ethnic Chinese, 616 were ethnic Malays and 22 were of other races. In terms of national orlgin, 509 of the 616 Malays were from Thailand and 107 were from Malaysia. Among the Chinese, the ratio was about 50 per cent from Malaysia and 50 per cent from Thailand. 13 It 15, therefore, not very surprising that Malaysia and Thailand have a common interest in co-operating against all types of rebels in southern Thailand.

The extent of co-operation is remarkable, considering that most states zealously guard their sovereignty, specially on the question of opening their territory to the armed forces of a neighbouring power. Under a Malaysian-Thai agreement, Malaysian police units were stationed in southern Thailand till the 1980s and additional Malaysian police units were allowed to enter Thailand at will to combat—according to the official Malaysian jargon—the 'Communist Terrorists' (CTs). 14

The relaxed That attitude to foreign forces may be partly explained by the national confidence arising from the fact that Thailand was not under direct colonial rule and is relatively a more cohesive nation-state than many other Asian states.

That governments have traditionally found little need or incentive to manipulate foreign policy for the symbolic or nation-building purposes which once were, for instance, so important in Indonesia, and to a lesser extent, in Malaysia That foreign policy is designed to protect rather than to help create the nation and its political institutions 15

### HILL PEOPLES OF NORTH AND NORTH-EAST THAILAND

At the peak of armed communist activity in 1977-78, 52 of Thailand's 72 provinces were affected. The major activity was in Thailand's deep south and in the hill areas of the north and north-east. Various racially/culturally linked Lao groups make up 25 per cent of Thailand's population while Meo and Khmer tribes form another 2 per cent. The Lao, Meo and Khmer peoples, many of whom are animists by religion, are concentrated in the north and north-east. There are many factions within the Lao, Meo and

Khmer peoples. But generally these peoples and the 60 per cent ethnic Thai majority consider themseives distinct from each other by geography, race, religion and language. 16

Communist activity in the hill areas of the north and north-east led to a confused mix of ethnic and class struggles against central Thai authority in the late 1960s and in the 1970s. By July 1983, Thai government troops had overwhelmed the main northern head-quarters of the Communist Party of Thailand at Phou Nong Mae Na and most of the fighters had retreated into neighbouring Laos or surrendered. For the moment, communist and ethnic struggles in the north and north-east have faded away 17

One of the small tribal minorities which fought an undeclared war from 1967 against the Thai armed forces were the Hmong (also known as Meo) of northern Thailand. The Thai authorities initially legarded the Hmong revolt as a "conspiracy cooked up by outside communists and directed from a headquarter in Laos" Hmong leaders said that the Hmong began to ambush police patrols only after the police had destroyed Hmong villages which had refused to pay an increase in the illegal tax that was being levied on opium cultivation in the area. 18

By the mid-1970s the Thai authorities began to realise how difficult and expensive it was to suppress disaffected tribal minorities by force and ethnic disaffection could not be simply dismissed as a communist conspiracy A more sophisticated and enlightened approach towards ethnic/communist rebellions began to be applied. 19

In 1977, a specially-commissioned Thai defence ministry policy paper, for the first time, gave official recognition to security as a multi-dimensional concept with economic development as a key ingredient. The studious Thai king, Bhumibol Adulyadej, played an important role in refining this essentially common sense, 'security development' approach to rebellion—combining army operations, road-building, amnesty offers, economic assistance and resettiement in the rebel areas.<sup>20</sup>

By the late 1970s, the Hmong rebellion had subsided. Communist activity in the hill areas of the north and north-east took longer to decline. The Sino-Vietnamese clash of 1979 confused and split the cadres of the Communisty Party of Thailand, assistance from Vietnam-aligned Laos, which borders northern Thailand, decreased and the 'security development' policy of the Thai government helped to reduce the support base among the hill peoples for the communists.<sup>21</sup>

Many of the communist cadres were ethnic Thai students who had fled from universitles in Bangkok after the crackdown against democracy-seeking students in October 1976.<sup>22</sup> There are some indications that the ethnic Thai communist cadres and their supporters among the ethnic minorities of the northern and north-eastern hills fell apart partly due to mutual ethnic suspicions.

### MOROS OF SOUTHERN PHILIPPINES

The Moros, who form about 8 per cent of the total Filipino population, have a long tradition of fierce, anti-colonial struggle, first against the Spaniards from the 16th to the 19th centuries and then against the Americans who took over the Philippines from Spain in 1898. The strongest components of this struggle have been the Islamic religion and protection of their distinct territory in the southern islands of Mindanao, Palawan, Basilan and the Sulu archipelago. In addition to regional and religious distinction, the Moros claim to be

TABLE NATIONAL POPULATIONS AND ETHNIC PERCEN AGES 1986 ESTIMATES

Bruner	0.2 million
Malay	75 per cent
Chinese	20
Other	5
Indonesia	168 4
Javanese	47
Sundanese	15
Madurese	8
Chinese	29
West Papuans	07
East Timorese	03
Other	26 1
Malaysia	15 8
Malays	44
Chinese Indians	35
Other	11 10
Philippines	58 1
Cebuano	24 21
Tagalog Hocano	12
Hiligaynon	10
Moro	8
Bicol	8
Samar-Leyte	6
Pampagnan	3
Pangasinan	3
Chinese	1.3
Other	3.7
Singapore	26
Chinese	75
Malays	14
Indians	8
Other	3
Thailand	52.8
Thais	60
Lao	25
Chinese	8.6
Hmong, Meo, Khmer	2
Muslims/Malays	3
Other	1.4

Sources: Adpted from Asia Yearbook 1987, Far Eastern Economic Review, Hongkong, pp 6-7, and from Sukhumbhand Paribatra and Chal-Anan Samudavanlja, 'Internal Dimensions of Regional Security in Southeast Asia', in Mohammed Ayoob, (ed), Regional Security in the Third World: Case Studies from Southeast Asia and the Middle East, Croom Heim, London, 1986, pp 63-64.

racially and linguistically different from Christian Filipinos.<sup>23</sup>

Resistance against the crusading Christianity and territorial expansion of the Spanish colonialists continued on a less intense scale against the Americans and was rekindled into a war with the central Fillpino authority from 1972 to 1976. After 1976, the war degenerated into continuing armed clashes till president Corazon Aquino's government signed an agreement in Jeddah, Saudi Arabia, on January 4, 1987 with Nur Misuari, the leader of the main Moro organisation, the Moro National Liberation Front (MNLF).24 The agreement, which promises autonomy for the southern islands. was confirmed with the ratification of the new Filipino constitution by a national referendum on February 2, 1987. Some smaller Moro rebel groups who are unhappy with the MNLF for having given up the fight for full independence in return for mere autonomy continue to instigate clashes.

Apart from the traditional Moro desire to remain free from whatever be the authority in Manıla - Spanish, American or Filipino, the latest round of the Moro struggle, which began in 1972, was set off, ironically, by another rebellion against the authority in Manila. This was the communist peasant movement in the late 1940s of the Huks in the northern island of Luzon, the largest and most highly populated of the islands which comprise the Philippines. The Huk rebellion seeking land for the landless was partly overcome by president Magsaysay's policy of moving thousands of landless Christian families from Luzon to the southern Island of Mindanao.25

Many of these families were given lands which had been the traditional domain of the Moros. Land alienation became a major cause of the Moro rebellion against the Philippines government. Over 1,00,000 lives were lost in the fighting and at the height of the Moro rebellion in 1974-75, two-thirds of the armed forces of the Philippines (AFP) were engaged in countering the Moros.

While the major part of the AFP was involved in the southern islands against the Moros, there was a resurrection of communist activity on the islands of Luzon, Negros, Samar, Leyte and even Mindanao. Throughout its formative years in the 1970s, the communist New People's Army (NPA) was ignored by the Marcos regime whose attention was focused on the Moro rebels in the south. 27

The NPA is now a nationwide movement except among the Moros. Military officers are backing the initiatives of president Aquino for peace with the Moros as they now regard their main problem to be the NPA.28 Indonesia's military controlled government pressurised Nur Misuari, the Moro leader, and persuaded president Aquino to move towards the agreement which was signed on January 4, 1987.29 The anti-communist sentiments of the Filipino military officers and the Indonesian government are also shared by Malaysia and Singa-

pore who too have played a role in the reconciliation process between the Moros and Manila. 30

But looking back, the ethnic revolt of the Moros and the communist revolts of the Huks and the NPA have fortified each other by dividing the military and political energies of the Philippines government. Unlike in Thailand, Malaysia and Indonesia, ethnic and class struggles have unwittingly reinforced each other in the Philippines, despite being unallied.

In Indonesia, the bogey of ethnic-Chinese inspiration of the PK1 (Partai Kommunis Indonesia) was an important factor in the massive suppression of all hues of communists in 1965-66. In Malaysia, the largely ethnic Chinese composition of the Communist Party weakened the class struggle in a country where 65 per cent of the population is non-Chinese. In Thailand, ethnic suspicions between ethnic Thai Communist Party cadres and the Lao, Meo and Khmer minorities weakened the communist movement in north and north-east Thailand.

### EAST TIMORESE OF INDONESIA

The new order Indonesian state with its strongly militarist, centralist and anti-communist ideology has moved firmly to suppress any separatist ethnic movement. There is not much attempt to emulate the carrot-and-stick approach to such movements followed in Thailand and, to a lesser extent, in the Philippines.

Since December 7, 1975, when Indonesian troops annexed the former Portuguese territory in the eastern half of the small island of Timor, about one-third of the territory's population of 7,00,000 has died of deprivation, disease and a tough policy of depopulation followed by the ABRI (the Indonesian armed forces) to counter the guerrilla campaign of FRETILIN (Revolutionary Front for Independent East Timor).

Despite, or because of, ABRI's stern measures, FRETILIN's guerrilla campaign has continued for more than a decade and was reinforced in March 1986 by an alliance with the Timorese Democratic Union (UDT). The UDT, a conservative Catholic group, had at one time supported the integration of East Timor with Indonesia after being defeated in a civil war in 1975 by FRETILIN which is ied by a mix of Marxist-Lenlnists and social democrats.<sup>31</sup>

General Benny Murdani, the commander of the Indonesian armed forces, claimed in December 1984 that Indonesia had 7,000 soldiers in East Timor fighting, 1,000 active FRETILIN members and 3-5,000 sympathisers. FRETILIN and independent sources in Jakarta and in Europe claimed in early 1986 that Indonesia was spending one million US dollars a day to support 20-25,000 soldiers in East Timor to counter a FRETILIN guerrilla army of 3,000 assisted by several thousand militia men. 32

That the small population of East Timor, now reduced to less than 5,00,000, on an Isolated island and with almost no material foreign assistance, has managed to sustain a guerrilla insurgency since 1975 indicates yet again that an aggrieved and politicised ethnic group concentrated on what it regards as its home territory cannot be subdued by military means alone.

Indonesian policy towards the East Timorese may itself be a reflection of the increasing homogeneity of the dominant, military segment of Indonesia's ruling elite. During the Indonesian revolution against the Dutch 1945-49, the army's officer corps was heterogeneous, representing a wide ideological and ethnic spectrum of Indonesian society Religious and ethnic/regional rebellions, often led by officers commanding army formations on Indonesia's outer islands, were overcome in the 1950s by a growing dependence on the Javanese core of the military leadership. <sup>13</sup>

By the late 1960s, the Javanese core had expanded into the dominating majority among military officers-Javanese officers formed 66 per cent of the military elite while the Javanese ethnic group as a whole formed 47 per cent of Indonesia's total population.34 In 1969, 76 per cent of the officerstudents at the army's general staff and command college were Javanese.36 Most of these officers were from a secular abangan background, though nominally Muslims. The proportion of santri or orthodox Muslim officers suffered a decline because Islamic revolts in Acheh (Sumatra), South Sulawesi and West Java in the 1950s had been supported by some santri officers. The 1965-66 purge of communists and their sympathisers ensured that no leftists remained in the armed forces. The present ethnic and ideological make-up of the military offirers who continue to control Indonesian politics is not substantially different from that of the late 1960s.

Contrary to some theories, the military does not always serve as a modernising instrument. Primordial loyalties, such as

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### NOTICE

It is hereby notified for the information of the public that GREAVES CHITRAM LIMITED proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking funit/division. Brief particulars of the proposal are as under

GREAVES CHITRAM LIMITED 1 Name and address of the applicant

No 38 Main Road Royapuram Madras 600 013

9 Capital Structure of the applicant organisation Authorised Capital-

Rs 25 00 000

Issued Subscribed & Paidup capital Rs 20 49 200

3 Management structure of the applicant organisation indicating the names of the Directors including Managing/ Wholetime Directors and Manager if any

The Management is under the Board of Directors whose members are professionals in the field of business organisation law finance and taxation

Name of Directors

Mr S Datta Mr M N Kapadia Mr S N Puri Mr V Venkataraman Mr T Poolan Mr G V G Rao Mr S Sethuraman

Indicate whether the proposal relates to the establishment of a new undertaking or a new unit/division

The Proposal relates to the establishment

of a new item of manufacture

5 Location of the new undertaking/unit/division

At the existing factory situated at Cross Road

Tondiarpet Madras 600 081

6 Capital structure of the proposed undertaking

Not applicable

7 In case the proposal relates to the production storage supply distribution marketing or control of any goods/articles indicate

(i) Names of goods/article

(ii) Proposed licensed rapacity

(iii) Estimated annual turnover

**Vibratory Compactors** 200 Nos

200 Nos

Value Rs 1 330 lacs

8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures such as value income turnover etc

9 Cost of the Project

Not applicable

A) Land B) Building

Already available

C, Machinery Indigenous Rs 5 00 lacs to Rs 10 00 lacs

Rs 10 00 lacs

D) Margin Money E) Other Heads

Nil

10 Scheme of finance indicating the amounts to be raised from each source

From Internal Accruals

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs, Government of India, Shastii Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein

Dated this 21st day of April 1988

For GREAVES CHITRAM LIMITED (\$d/) \$ SETHURAMAN Director

Registered Office 38 Main Road Royapuram Madras - 600 013 ethnicity, remain despite technological modernisation<sup>37</sup> and very few militaries in the world are ethnically representative of the civilian populations in whose names they exert coercive force.<sup>38</sup> Ethnic suspicions may exert an influence even at the top of a military-political leadership.<sup>39</sup>

#### WEST PAPUANS OF INDONESIA

Another peripheral group—peripheral in number and by geography—has been challenging the might of the Indonesian state. The Irianese (the Indonesian nationalist term) or the West Papuans (the subnationalist term) unlike the isolated East Timorese, receive considerable encouragement and some material support from the neighbouring country of Papua New Guinea which has a land frontier with Indonesia.

The West Papuans, composed of hundreds of tiny ethnolinguistic groups, add up to only 1.2 million in Indonesia's total population of 168.4 million (1986 estimate). They inhabit Indonesia's eastern-most province of Irian Jaya which extends over the western half of the large island of New Guinea. The eastern half of the island is another country--Papua New Guinea.

Though divided among themselves, many West Papuans are collectively conscious of being distinct from other Indonesians. 40 By race they are Melanesians while the vast majority of Indonesians are Malays, by religion they are Christians or animists while 90 per cent of Indonesians are Muslims, their languages have little in common with the Malay-based national language of Indonesia, Bahasa Indonesia, and their territory remained under patriarchal Dutch rule till 1962 while the rest of Indonesia had liberated itself from Dutch control by 1949.41

In may 1963, under a US-mediated settlement and after a six-month period under UN authority, Irian Jaya became a province of Indonesia with the stipulation that the people of Irian Jaya would later be allowed to decide by referendum whether they wished to be independent or not.<sup>42</sup>

An act of free choice took place in 1969 but UN observers noted hundreds of complaints of intimidation against the Indonesian authorities who ensured that the referendum went in their favour. West Papuan bitterness was compounded in the 1970s' decade of development when there was a sharp increase in copper and oil mining, logging and building of roads, airfields and schools.

This form of development went hand-inhand with a large influx of administrators, skilled workers and petty traders from other Indonesian islands, specially Java, Sulawesi and the Moluccas. Most of the fruits of development also went to the newly arrived outsiders. The locals were poorly compensated for lands lost to timber loggers and to miners and some were exploited as cheap labour by contractors. There was growing alienation among West Papuans from Indonesian rule and small-scale anti-Indonesian revolts broke out in several areas of Irian Jaya. A West Papuan independence movement called the Free Papua Organisation (OPM, Organisasi Papua Merdeka) came into being.<sup>44</sup>

Under the Third Five-Year Plan of 1979-84, 59,700 settlers, mostly from Java, were brought into Iran Jaya through a government migration programme supported by the World Bank and by foreign companies. 45

On February 13, 1984, the OPM launched an uprising in the provincial capital of Jayapura. This was promptly crushed by Indonesian military forces who pursued the rebels into the countryside.<sup>46</sup>

Since then at least 11,000 West Papuans have taken refuge in neighbouring Papua New Guinea. Many of them are OPM sympathisers. The refugees have generated controversy within Papua New Guinea and tensions between that country and Indonesia. The OPM continues to launch small-scale attacks against Indonesian posts and development projects in areas close to the border with Papua New Guinea. 47

There has been some policy rethinking among a few Indonesian officials and academics who have called for a slowing down of the migration programme and for a downgrading of the military and intelligence methods which have been routinely used to cope with the ethnopolitical problem in Irian Jaya. The security-minded approach of the Jakarta government is being questioned by a few influential Indonesians. 48

Notable among them is marine lieutenantgeneral Kahpi Suriadireja who was regional military commander of the far eastern zone of Indonesia which includes Irian Jaya. <sup>49</sup> In his book, Challenge and Struggle in the Land of the Bird of Paradise, published in Jakarta in 1985, the general suggests that serious mistakes have been made in Irian Jaya by the government and that official policies need to be recast. A 1985 report by a group of social scientists from Gadjah Mada University has also indicated mistakes in government policies and suggested changes. <sup>50</sup>

It will probably be difficult to alter the primacy of security strategists among policy-makers in Jakarta. But as the security strategists' policies have not been very successful in East Timor or Irian Jaya, the beginnings of a more conciliatory, political approach towards Irian Jaya, though not as yet towards East Timor, can be discerned in Jakarta.

### II

### A Dispersed, Central Group

CHINESE OF SOUTH-EAST ASIA

The Chinese form 6 per cent of the total population of the six member-states of ASEAN. Except the city-state of Singapore where they form 75 per cent of the population, they do not numerically dominate any significant area of south-east Asia. Yet they are a significant political factor in most south-east Asian states. Their political in-

fluence is a function of their economic ability and commercial prowess<sup>52</sup> even in countries where they form a small percentage of the population—Philippines 1.3, Indonesia 2.9, Thailand 8.6.

In Malaysia, despite deliberate official policies to promote the economic welfare of Malay bumiputras (sons-of-the-soil), the Chinese continue to be ahead of other ethnic groups in average household income, though not as far ahead as they were some years ago.53 In Malaysia, the Chinese are a significant, but not dominant, numerical factor-35 per cent of the population. In the August 1986 general elections in Malaysia, the Chinese numerical factor was converted into an important new political trend. For the first time, the Chinese overwhelmingly voted for a Chinese-led party opposed to the Malay-dominated, ruling National Front. The Democratic Action Party (DAP) won 23 of the 33 parhamentary seats where the Chinese are in a majority 54

The DAP's election campaign was geared to voicing the grievances of Malaysia's Chinese community, particularly their growing resentment against the new economic policy (NEP)<sup>15</sup> which was formulated in the wake of the May 1969 anti-Chinese riots to placate the Malays (44 per cent of the population). The government identified malay resentment against Chinese economic 'domination' as a prime cause of the 1969 riots. The control of the 1969 riots.

The August 1986 Chinese vote for the DAP has led to the opposition being equated with the Chinese community.<sup>57</sup> There is concern that politics in Malaysia may be polarised along Malay vs Chinese racial lines. The ruling National Front has traditionally defused polarisation by co-opting such radical ethnic parties as the Malayoriented PMIP and the Chinese-oriented Gerakan.<sup>58</sup> The National Front government has already moved towards making its economic policies more sensitive in reducing poverty among all Malaysians rather than merely among Malays. It may now resort to its traditional pattern by trying to co-opt the DAP rather than confront it. Despite recurring ethnic tensions, Malaysia's political system has repeatedly demonstrated its capacity to make Malaysia's ethnic groups co-operate with each other after much sniping and bickering.59

In Thailand, there is little sniping and bickering between the Thais and the Chinese. Cultural assimilation, inter-marriage and the absence of post-colonial complexes have brought the Chinese much closer to the 'locals' in Thailand60 in contrast to the Chinese experience with 'locals' elsewhere in south-east Asia. Chinese businessmen in Thailand have cemented their ties with the Thais by financing a wide spectrum of Thai politicians.61 Occasional government attempts to project ethnic Chinese as a communist fifth column, as during Pibul Songram's final autocratic years in the early 1950s, never caught the public imagination in Thailand.

In Indonesia, public suspicion of ethnic Chinese has a long history, starting with the use of the Chinese as middlemen by the Dutch colonisers. Later even while president Sukarno encouraged a policy of close friendship with Beijing, Government Rugulation No 10 of May 4, 1959 banned any ethnic Chinese from trading in rural areas. By 1960, there was a mass exodus of 4,00,000 Chinese petty traders and their helpless families from the Indonesian countryside into urban areas. About 1,00,000 of these forced migrants left Indonesia. China had to send ships to repatriate 40,000 of them. 62

Any period of political upheaval or disaffection in Indonesia has a tendency to take the form of attacks on Chinese persons and property. 63 During the anti-communist wave of 1965-66, many Chinese became helpless victims. More recently in 1985, islamic opponents of the government have directed some of their attacks against Chinese property. 64

These events do not affect the Chinese business elite which retains its symbiotic relationship with the Indonesian political elite. The modern sector of the Indonesian economy has a large proportion of enterprises in which military officers are associated with ethnic Chinese and foreign partners. The government views these activities with tolerance, expecting that the free hand given to officers in business would serve to strengthen their loyalty to the reglme. The strengthen their loyalty to the reglme.

A pragmatic Indonesian trade minister, Sumitro, was remarkably candid about the contribution of Indonesian Chinese entrepreneurs to the country's stability. He is reported to have said that the usual Chinese practices of smuggling and evasion of taxes and customs duties were "to some extent, good for stability". 67

In the Philippines, the tiny Chinese minority (1.3 per cent) has a considerable presence in the trade and finance sectors in Manila. During Marcos' rule, the Chinese role in business and politics remained low key as Marcos dispensed financial and political favours to his close friends, many of them from his own ethnolinguistic group of Ilocanos (12 per cent of the total population). Cultural assimilation and intermarriage between Chinese and Filipinos is common, though not as pronounced as in Thailand. The Marcos government encouraged the Chinese to declare themselves as Philippines citizens. 68

Twenty per cent of oil-rich Brunei's population are Chinese but most of them are not accepted as citizens. <sup>69</sup> Brunei and its ruling sultan, with large revenues from oil, are not in particular need of the entrepreneurial services of the local Chinese.

### ASEAN FORUM

It is apparent from this survey that the ASEAN states have not been spectacularly successful in handling ethnopolitical issues within their individual territories. However,

### MRF LIMITED

Regd Office 826, Anna Salai, Madras 600 002

### NOTICE

It is hereby notified for the information of the public that MRF Limited proposes to make an application to the Central Government in the Department of Company Affairs, New Delhi, under Sub-Section (2) of Section 22 of the Monopolies and Restrictive Trade Practices Act, 1969, for approval to the establishment of a new undertaking/unit/division Brief particulars of the proposal are as under —

MRF LIMITED

Name and address of the applicant

δ

6

8

Name and address of the applicant	Tarapore Towers 826 Anna Salai Madras 600 002	
Capital Structure of the applicant organisation (a) Authorised In Rupees (b) Subscribed (c) Paid up	Equity 9,00,00,000 3,85,61,180 3,85,61,180	Preference 1,00,00,000 
Management structure of the applicant organisation indicating the names of the Directors, including Managing/Whole time Directors and Managers, if any		
1 Mr K M Mammen Mappillai 2 Mr K M Mammen	Chairman & Mana Vice Chairman & Director	
3 Mr K M Philip	Whole time Direct	tor
4 Mr James H Hoffman II	Director	
5 Mr V Emberumanar Chetty	Director	
6 Mr K S Narayanan	Director	
7 Mr H P Nanda	Director	
8 Mr Karot C Thomas	Director	
9 Dr K C Mammen	Director	
10 Mr C G Rangabashyam	Director	
11 Mr C D Khanna 12 Mr K D Parakh	Director Director	
13 Mr N D Shah	Nominee Director	
14 Mr Ravi Mammen	Managing Director	
Indicate whether the proposal relates to the establishment of a new undertaking or a new	Welleging Directo	•
Unit/Division	New Article	
location of the new undertaking/unit/division	Tahsil Pond District Goa State Goa	la
Capital structure of the proposed undertaking	Not Applicable	
In case the proposal relates to the production, storage, supply, distribution, marketing or con trol of any goods/articles, indicate		
(i) Names of goods/articles (ii) Proposed licensed capacity (iii) Estimated annual turnover	*Pre cured Tread: 6000 Tonnes/An Rs 17,00,00,000 *Speciality mater for cold cure pro recapping tyres	inum ial suitable
In case the proposal relates to the provision of any service, state the volume of activity in terms of usual measures such as value, income,		
turnover etc	Not Applicable	
Cost of the project .	Rs 25,00,000	

Any person interested in the matter may make a representation in quadruplicate to the Secretary, Department of Company Affairs, Government of India, Shastn Bhavan, New Delhi, within 14 days from the date of publication of this notice, intimating his views on the proposal and indicating the nature of his interest therein.

Dated this 18th day of April, 1988

be raised from each source

Scheme of finance, indicating the amounts to

D M CHOKSI SECRETARY

Rs, 25,00,000 (From Internal

Resources)

one outstanding plus point does emerge from this survey of south-east Asia. In contrast with south Asia or with some other areas of the world, the ASEAN states have substantially succeeded in preventing ethnopolitical issues from crossing their national frontiers and escalating into international tensions. As in south Asia, there are significant and politically active ethnic brothers and cousins spilling across the national boundaries of the ASEAN states. But the governments and political systems of the ASEAN states have kept away from exploiting ethnopolitical issues in neighbouring national territories.

The rebellious Muslims in southern Thailand and Moros in the southern Philippines with their ethnic Malay cousins in command in Malaysia or the politically resentful Chinese in Malaysia separated only by a three-kilohneter causeway from their brothers in Chinese-dominated Singapore are the more obvious trans-border questions which could have been translated into transborder issues and tensions, were it not for a deliberate policy of the concerned states to play down the ethnopolitical activities in their neighbours' backyards.

This policy's cause and effect is that no ASEAN country perceives an ethnic threat from across any border within the larger ASEAN boundary. No ASEAN country expects to be invaded by another, 70 though there are fears of conflict with neighbours outside ASEAN, such as Vietnam and Papua New Guinea. This is in sharp contrast to 'the war clouds' which seem to be perpetually hovering over India and Pakistan or India and Sri Lanka.

Tensions between India and Pakistan are often blamed on the history of the communal partition of the sub-continent or on the territorial dispute over Kashmir. There have also been such disputes in south-east Asia, though without the large-scale violence which accompanied partition and the Kashmir dispute. There was a great deal of ethnic, and, political bitterness between Singapore and Malaysia when they parted from each other in 1965. The Philippines had a'long standing territorial claim to the Malaysian state of Sabah and there were occasional armed incursions in the 1970s by Malaysian and Philippines forces into their neighbour's domains because of the Sabah dispute.

But the Sabah dispute or the ethnopolitical bltterness between Malaysia and Singapore were not allowed to cloud the wider quest for security and political bonhomie between Malaysia and the Philippines or between Malaysia and Singapore. The new Philippines Constitution, ratified by referendum on February 2, 1987, has gone to the extent of quietly dropping the claim to Sabah which had been indirectly mentioned in the 1973 Philippines Constitution.

The ASEAN forum has proved most useful in bringing its member-states together politically. ASEAN's political success may partly be explained by recounting the com-

mon fear of communism among the ruling elites of its member-states. This is not a sufficient explanation.

Noordin Sopiee, a Malaysian scholar, provides a cogent explanation for the political and security success of ASEAN. He suggests that ASEAN has played a critical role in banishing the psychological sense of isolation which can cause countries to panic and to launch ill-advised actions abroad. ASEAN has given its member-states that psychological sense of confidence and socurity without which mature responses and policies would have been less likely. Over the years, the psychological shield that ASEAN provided and the confidence in dealing with the external environment that it engendered, allowed the ASEAN states to concentrate their primary attention on domestic-and not external-concerns.71

Sopiee concludes that ASEAN is now a political and security community within which no nation accepts war and violence or threats of war and violence as an instrument of policy against another member of the community. More important, no ASEAN state seriously prepares for war or violence against another.<sup>72</sup>

### Notes

[I am grateful to the Centre for Policy Research, New Delhi, for having appointed me as a Fellow which enabled me to write this paper.]

- 1 For a convincing political analysis of relations between the state and ethnic groups, see Paul R Brass, 'Ethnic Groups and the State' (introduction) in Paul R Brass, (ed), Ethnic Groups and the State, Croom Helm, London, 1985, pp 1-56.
- 2 Astri Suhrke, 'The Muslims in Southern Thailand' in Robert G Wirsing, (ed), Protection of Ethnic Minorities: Comparative Perspectives, Pergamon, New York, 1981, p 315.
- 3 Ibid, p 318.
- 4 Lawrence J Ma, 'Cultural Diversity' in Ashok K Dutt, (ed), Southeast Asia: Realm of Contrasts, Westview, Boulder and London, 1985, maps on pp 58-59.
- 5 Suhrke, op cit, pp 326-27.
- 6 Ibid, p 322.
- 7 Ibid, p 327. 8 Ibid, p 336.
- 9 Ibid, pp 322-23.
- 10 Ibid, p 325.
- 11 Ibid, p 327.
- 12 Zakaria Haji Ahmad, 'The Bayonet and the Truncheon: Army/Police Relations in Malaysia' in DeWitt C Ellinwood and Cynthia H Enloe, (eds), Ethnicity and the Military in Asia, Transaction, New Brunswick and London, 1981, pp 212-213.
- 13 Far Eastern Economic Review (FEER), Hong Kong, September 2, 1977.
- 14 Ahmad, op cit, p 204.
- 15 Charles E Morrison and Astri Suhrke, Strategies of Survival: The Foreign Policy Dilemmas of Smaller Asian States, University of Queensland Press, St Lucia, 1978, p 110.
- 16 Cynthia H Enloe, 'Ethnic Diversity: The

- Potential for Conflict' in Guy J. Pauker et al, Diversity and Development in Southeast Asia: The Coming Decade, Council on Foreign Relations and McGraw-Hill, New York, 1977, p 141 and p 152
- 17 FEER, April 17, 1986 pp 32-33.
- 18 Robert G Cooper, 'The Tribal Minorities of Northern Thailand: Problems and Prospects' in Southeast Asian Affairs 1979, Institute of Southeast Asian Studies and Heinemann Educational Books (Asia), Singapore, p 325-26.
- 19 FEER, April 17, 1986, pp 30-34,
- 20 lbid, p 30.
- 21 Ross Prizzia, Thailand in Transition: The Role of Oppositional Forces, University of Hawaii, Honolulu, 1985, pp 20-24.
- 22 lbid, pp 20-24.
- 23 Carmen Abubakar, 'Islam in the Philippines
  -The Moro Problem' in Asghar Ali
  Engineer, (ed), Islam in South and SouthEust Asia, Institute of Islamic Studies and
  Ajanta, Bombay, 1985, pp 44-56.
- 24 FEER, January 15, 1987, pp 18-19.
- 25 Georgina Ashworth, 'The Philippine Moslems' in Georgina Ashworth, (ed), World Minorities: Volume One, Minority Rights Group, London, 1977, pp 125-30.
- 26 F A Mediansky, 'The New People's Army: A Nation-Wide Insurgency in the Philippines' in Contemporary Southeast Asia, Singapore, Vol 8, No 1, June 86, pp 1-17.
- 27 Ihid, p 14.
- 28 FEER, September 11, 1986, p 25
- 29 FEER, September 11, 1986, p 19
- 30 Ibid, p 19.
- 31 FEER, April 10, 1986, pp 14-15.
- 32 Ibid, p 14-15.
- 33 Ann Gregory, 'The Influences of Ethnicity in the Evolution of the Indonesian Military Elite' in Ellinwood and Enloe, 1981, op cit pp 267-68.
- 34 lbid, p 275.
- 35 Ibid. p 278.
- 36 Ihid, pp 267-68 and p 284.
- 37 Cynthia H Enloe, 'Introduction' in Ellinwood and Enloe, 1981, op cit, p 12.
- 38 Cynthia H Enloe, 'The Issue Saliency of the Military-Ethnic Connection: Some Thoughts on Malaysia' in Comparative Politics, 1978.
- 39 Ann Gregory, op cit, p 275. An Indonesian army leader of Sundanese ethnic origin (the country's second largest ethnic group, comprising 15 per cent of the total population) told Gregory during an interview in Jakarta in 1969 that Indonesia's president "Suharto doesn't like Sundanese; he takes Javanese to be regional commanders even of the Siliwangi (division). Suharto is closer to Sumatrans than to Sundanese".
- 40 Ian Bell, Herb Feith and Ron Hatley, 'The West Papuan Challenge to Indonesian Authority in Irian Jaya: Old Problems, New Possibilities' in Asian Survey, Berkeley, Vol 26, No 5, May 1986, p 545.
- 41 Ibid, p 539.
- 42 Ibid, p 539.
- 43 See Report of the Secretary-General Regarding the Act of Self Determination in West Irian, UN Document A/7723, UN General Assembly, New York, 1969.
- 44 Bell, Feith and Halley, op cit, pp 544-46,
- 45 1bid, p 548.



# **GUJARAT AROMATICS LIMITED**

### NOTICE

It is hereby notified for the information of the public that Gujarat Aromatics Limited Registered Office. H.K. House, 6th Floor Ashram Road Ahmedabad 380 009 proposes to make an application to the Central Government in the Department of Company Affairs New Delhi under sub-section (2) of Section 22 of Monopolies & Restrictive Trade Practices Act 1969 for approval to the establishment of a new undertaking unit/division. Brief particulars of the proposal are as under

Gujarat Aromatics Limited 1 Name and address of the applicant

HK House 6th Floor

Ashram Road

Ahmedabad 380 009

2 Capital Structure of the applicant organisation

Rs 400 Crores Authorised Rs 368 Crores Issued Rs 368 Crores Subscribed Rs 3 68 Crores Paid Up

3 Management Structure of the applicant organisation indi cating the names of the Directors including the Managing/

Whole time Directors and Manager if any

Name Status Shri R J Currawalla Director Director Shri Shrenik K. Lalbhai Shri Siddharth Y Lalbhai Director Director Dr Anand Sarabhai Shri L G Thakkar Director Shri P P Vora Director Director Shri G R Virdi Shri S R S Ayyar Director

indicate whether the proposal relates to the establishment

of a new undertaking/unit/division/

New Unit

Location of the new undertaking/unit/division

Tehsil Ankleshwar Dist Bharuch Gujarat

New Unit

6 Capital structure of the proposed undertaking

10 Scheme of the Finance indicating the amount

No change in Capital structure. New Unit under the existing undertaking

7 In case the proposal relates to the production storage supply distribution marketing of any goods/articles indicate

(i) Name of Goods/Articles (ii) Proposed Licensed Capacity

(iii) Estimated annual turnover

8 In case the proposal relates to the provision of any service state the volume of activity in terms of usual measures as value income turnover etc

9 Cost of Project

Meta Phenoxy Benzaidehyde

**300 TPA** Rs 75 Crores

Not applicable

Rs 90 Crores

The proposed investment would be financed through term loans from financial institutions/Bank and partly through in

ternal cash accruals

Any person interested in the matter may make a representation in quadruplicate to the Secretary Department of Company Affairs, Government of India Shastri Bhavan Dr Rajendra Prasad Road New Delhi within 14 days from the date of publication of this notice indicating his views on the proposal and indicating the nature of his interest therein

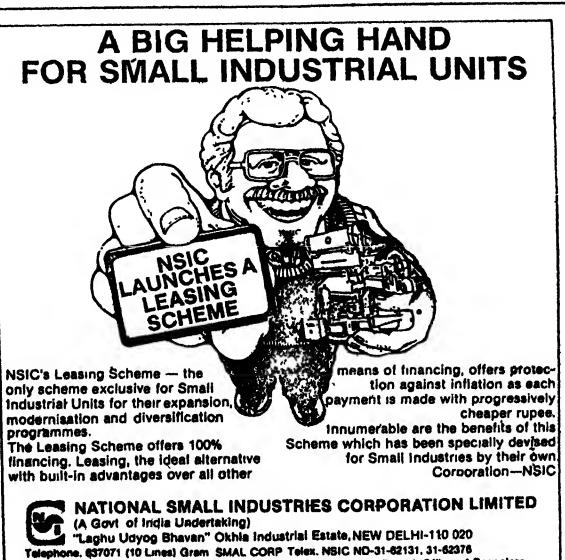
Place Atul Date 13 4 1988

Sd/ A K Mukhopadhyay \_ Chief Executive

- 46 lbid, p 539
- 47 Ibid, pp 540-41
- 48 Ibid, pp 550-52
- 49 Kahpi Suriadireja, Tantangan dan Per juangan di Bumi Cenderawasih (Challenge and Struggle in the Land of the Bird of Paradise), Sinar Agape Press, Jakarta, 1985 Quoted in Bell, Feith and Hatley, op cit, p 546 and p 551
- 50 Bell, Feith and Hatley, ibid, p 551
- 51 Percentages worked out from Sukhum bhand Paribatra and Chai Anan Samuda vanija, 'Internal Dimensions of Regional Security in Southeast Asia' in Mohainmed Ayoob, (ed), Regional Security in the Third World Case Studies from Southeast Asia and the Middle East, Croom Helm, London, 1986, table 3 3, pp 63-64, and from Garth Alexander Silent Invasion The Chinese in Southeast Asia, Macdonald, London 1973, appendix 3, p 256
- 52 For a sympathetic overview of the Chinese in Southeast Asia, see Alexander ibid
- 53 Computed from Midterm Review of the

- Fourth Malaysia Plan, Government Printer, Kuaia Lumpur, 1984, tables 3 8
- 54 FEER, August 14, 1986, p 14
- 55 Ibid, p 15
- 56 Tai Yoke Lin, 'inter Ethnic Restructuring in Malaysia, 1970-80 The Employment Per spective' in Rober B Goldman and A Jeyaratnam Wilson, (eds), From Indepen dence to Statehood Managing Ethnic Con flict in Five African and Asian States Frances Pinter, London, 1984, p 44
- 57 FEER, August 14, 1986, p 12
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- 59 Suhrke in Wirsing, 1981, op cit, pp 313 15
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- 64 Donald E Weatherbee, 'Indonesia in 1985 Chills and Thaws' in Asian Survey, Vol 26, No 2, February 1986, p 143
- 65 Harold Crouch, 'The Trend to Authoritarianism The Post 1945 Period' in Harry Aveling, (ed), The Development of Indone sian Society, University of Queensland Press, Si 1 ucia, 1979, p 198
- 66 Ibid, p 198
- 67 Alexander, op cit p 61 Sumiiro said this to Alexander during an interview
- 68 Enloe in Pauker et al 1977 op cit, p 155
- 69 D S Ranjit Singh, 'Brunei in 1985 Domestic Factors, Political and Economic Externalities' in Asian Survey, Vol 26, No 2, February 1986 p 172
- 70 Robert O Tilman, The Enemy Bevond External Threat Perceptions in the ASEAN Region, Institute of Southeast Asian Studies, Singapore, 1984, p 50
- 71 Noordin Sopiee, 'ASEAN and Regional Security' in Ayoob op cit, p 223 24
- 72 Sopiee, ibid, p 229



légional Offices: "Bombay " Calcutta " Delhi " Madras " Guwahati - Branch Offices: " Bangalore Shopai " Cuttack " Hyderabad " Imphal " Jalpur " Kanpur " Ludhiana " Patna " Rajkot " Trichur

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

BALANCE SHEET OF BOMBAY BRANCH AS AT 31ST DECEMBER, 1987

Previous Year Rs P	CAPITAL AND HABILITIES	Rs P	Яь Р	Previous Year Rs P	PROPERTY AND ASSETS	Rs P	Rs P.
	Captenl Deposited with The Reserve Bank of Indis under Section 11(2) of the Banking Regulation Act, 1949 a 616 % 1C1C1 Bonds 1999			2,02,69 500 30	Cash in hand and with Reserve Bank of India and State Bank of India (including Foreign Currency Notes)		1,74,68,966 76
-	of the Face Value of Rs 15,00,000/ included in investment as per contra 6 648 % 1C1 C1 Bonds 2000 of the Face-Value of	-		1,44 563 59 4,75 907 37 6,20 470 96	Balances with Other Banks in India Outside India	9 62,558 65	9 62,558 65
-	Rs 20,00 000/ included in investment as per contra c 8% % 1C1C 1 Bonds 2000 of the Face Value of Rs 10,00,000/ included in	-			Money at Call and Short Notice		
-	- investment as per contra d 7%% 1 C I C I Bonds 1998 of the Face Value of Rs 10,00,000/- included in	-			Investments (At Cost)  1 Securities of the Central and State Government and Other Trustee Securities		
-	investment as per contra e 6½ % 1 C 1 C 1 Bonds 1999 of the Face Value of Ri 10 00,000/ included in investment as per contra			3 21 95 250 00	including freasury bills of the Central and State Governments 2 Shares	3 90 17 250 00	
	Reserve Fund and Other		-,	10 72 500 00 3 37,500 00 3,07 12 500 00	a Fully paid up equity shares b Partly paid up equity shares Debentures and Bonds	17 47 500 00, 3,52,12,500 00	
	Deposits and Other Accounts Fixed Deposits			6,43 1" 750 00	Advances	7,34,54,700 00	7 59 77 250 00
1,05,00,000 00 6 22 19,719 91 3,30 80,845 09	From Banks From Others Savings Bank Deposits Current Accounts,	75 00,000 00 6,68,01,579 84 5,62,17 819 88			(Other than Bad and Doubtful Debts for which provision has been made to the satisfaction of the Auditom) Loans Cash Credits,		
13,83,92749 5,42,17,316 88 16,14,01 829 37	Contingency Actounts etc. From Banks From Others	2,13,410 71 5,05,65,904 41	16,12 98,714 84	10,76 31,655 70	Overdrafts ex. In India Outside India Bills Discounsed and	10,78,55,903 27	
	Borrowing from Other Banking Companies,			3,60,95,3 <del>6</del> 9 44	Purchased (excluding Treasury Bills of the Central and State Governments)  Payable in India	2,31,61,487 15	
5,46,60,442 05	Agents etc. (Secured) , in India Outside India	5,22,52,025 14		69 74,801 31	Psyable outside India	56,35,373 08	13 66,52,763 50
5.46,60,442 05			5 22,52,025 14		Bills Receivable being Bills for Collection (As per		
63 95,654 88	Bills Psymble  Bills for Collection being	Page 10 mary 1	29,72 073 66	46,96,482 28 38,59,790 89 85,56,275 17	Contra) Psyable in India Psyable outside India	17,46,339 21 33,94,316 99	71,40,655 8
46,96,482 28 38,59,790 89 85,56,273 17	Bills Receivable (As Per Contrs) Payable in India Payable outside India	17,46,339 21 53,94,316 59	71,40,655 80	13,15,25 084 14	Constituents' Liabilities for Acceptances, Radorsements and Other Obligations (As per Contra)		13,12,44,842 7
23,10,14 199 47	Carried Forward		22,36,63,469 44	37,59,90,905 02	Carried Forward		56,94,47,037 4

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

BALANCE SHEET OF BOMBAY BRANCH AS AT 31st DECEMBER, 1987

Previous Year Rs. P.	CAPITAL AND LIABILITIES	Rs. P.	Rs. P	Previous Year Rs P	PROPERTY AND ASSETS	Rs P	Rs. P.
23,10,14,199.47	Brought Forward		22,36,63,469 44	37,59,90,905.02	Brought Forward		36,94,47,037 47
27,56,544.73 9,100.50 58,10,145.82 85,75,791.05	Other Liabilities Head Office, Branches and Agencies outside India Provision for Granuity Other Liabilities	12,06,299.02 9,531.00 66,05,420.23	78.21.250.25	10,07,827 00	Building & Fixtures Original Cost Balance as per last Balance Sheet Less: Cost of Fixtures transferred to Furniture &	10,07,#27.00	
03/13/13/10			70,21,270,27	10.07.827.00	Pistures Account	10,07,827.00	
13,15,25,084.14	Acceptances, Indorsements and Other Obligations (As per Contra)		13,12,44,842.76	5,78,021.12	Depreciation Balance as per last Balance Sheet	5,78,021.12	
1,21,18,448.86	Profit and Loss Account Balance brought forward Add: Profit for the year (As	1,46,69,941.90		5,78,021,12	Less: Transferred to Purniture & Pixtures Account	5,78,021.12	
25,51,493.04	per F & L A/c. annexed)  Less: Transferred to Head Office	36,48,790.54		4,29,805.88			_
1,46,69,941.90			1,83,18,732.44		Persiture and Fixtures Stc. Original Cost		
3,98,26,055.46	Contingent Liabilities On outstanding forward exchange contracts	1.12.56.431.58		12,95,370.53	Balance as per last Balance Sheet Add: Pixtures transferred from Building and Pixtures	26,62,094.73	
4,71,63,913.27	On Guarantees issued on behalf of constituents	7,06,66,818.71		14,36,340.00	Account Add: Additions during the year	10,07,827.00 6,69,558.00	
5,37,500.00 4,55,00,000.00	On partly paid shares On bills rediscounted	4,50,00,000.00		27,31,710.53 69,615.80 26,62,094.73	Less: Sales and adjustments	43,39,479,73	
•				9,86,287.26	Dupreciation Balance as per last Balance Sheet Add: Depreciation appo 31,12,1986 on Figures transferred from Building and Fixtures Account	15,35,228.58 5,78,021.12	
				5,48,941.32 15,35,228.58	Add: Depreciation for the year	7,09,137.23 28,22,386.93	
			ŀ	11,26,866.15	Other Assets		15,17,092.80
		1		2,17,725.59	Prepaid expenses Interest accrued on	7,07,255 86	
				12.81,136.66	Inverteients Inserent exchange difference	20,04,134.95	
* .				16,75,754.76 17,76,592.50	enc, receivable Head Office, Boanches and anencies outside India	16,63,699.95 24,22,783.86	
				32,86,290.00	Deposits	32,86,290.00	
		<b></b>		82,37,439.51			1,00,84,164.62
38,57,85,016.56	Total Rs.		38,10,48,294.89	30,57,05,016,56	Total Re.		38,10,48,294.89

NOTE: As per Schedule "B" antimed

As per our report of even date

Por: P. C. HANDOTTA & CO.

64

(N. P. SANDA)

Por: THE MITSUI BANK LIMITED

54/-

(K. NAKANO) GENERAL MANAGER AND CHIEF EXECUTIVE OFFICER—INDIA

Routhey Distrol: 22, April 1988

(INCORPORATED IN IAPAN WITH LIMITED LIABILITY)

PROFIT AND LOSS ACCOUNT OF BOMBAY BRANCH FOR THE YEAR ENDED 31ST DECEMBER, 1987

Previous Year Re.	EXPENDITUR 8	Ra, P.	Previous Year Rs.	INCOME	Rs. 7.
1,50,99,156.93	Increst paid on Deposits, Sorrowings, exc. Salaries, Allowances, Gentuity & Provi- dent Fund (including Bonus paid	2,26,62,450.49	2,09,85,801.82	Interest and Discount (Less provisions made during the year for bad and doubthi debts and other usual or necessary provisions.)	2,94,65,252.09
44,69,159.50	Ra. 51,219.55 for the polor year)	49,67,549.41	50,47,864.16	Commission, Exchange and Brokerage	58,51,625.03
9,000.00	Directors & Local Committee  Members' Feer & Allowances	9,000.00	13,999.50	Other Receipts	6,143,19
5,95,305.68	Rest, Thues, Insurance, Lighting, esc.	6,70,946.09	1		
5,60,171.84	Postage, Tringrams and Stamps	6,78,931.76			
26,000.00	Auditor's Fees	39,000.00	1		
7,89,526.17	Depreciation on and Repairs to Banking Company's Property	8.15,127 72			L
2,00,091.95	Sustancey, Princing, Advertisement etc.	2,45,678.22			
11,39,200 37	Other Expenditure	15,85,714.00	<b>!</b>		
25,51,495.04	Not Profit	36,48,790.54		•	
2,60,47,665.48	TOTAL SUPERS	3,53,22,998.51	2,60,47,663 48	TOTAL BUPEES	3,55,22,996

### Notes on Balance Sheet as at 31st December, 1987 and Profit & Loss Account for the year ended 31st December, 1987.

Particulars of Remuneration relating	
to General Manager and Chief	
Expeutive Officer in India	
Solary	1,82,580.00
Allowances	35,400.00
Bonus	_
Employer's Constitution to Provident	
Pend	
Sitting Fees	_
Monstery value of perquisites	31,295.26
Total Ro.	2,49,273.26
	to General Manager and Chief Executive Officer in India Selecy Allowances Bonus Employer's Contribution to Provident Fund Sitting Fees Monatery value of perquisites

weamous. In numerous to the shove demands, the income text department has preferred appeals to the higher appellate authorists against the appellate orders in favour of the bank. In the event of the bank losing in respect of the shove-mentioned appeals filled by the income text department, additional consingent liability is estimated at Ra. 100:35 lakhs. No provision has been made in the accounts in respect of the above contingent liabilities.

2. The Balance Sheet and the Profit & Loss Account has been prepared in conformity with Form "A" and "B" of the third Schedule to the Banking Regulation Act.

and interest charged/gramed works out to Rs. 11.15 lakins. A sum of Rs. 7,76,858/has been paid in February, 1988 by the Bank under protest against the above demands. In addition to the above demands, the income sex department has prefer-

- Other expanditure includes Rs. 64,900/- paid so the suddines for the income tax
- services tendered in suspect of prior nine assessment years.
- 4. Previous year's figures have been secust whetever necessary.

Schedule "B"

The back has disputed and preferred appeals against tex demands of verious assessment years. The net assount of tex demands after adjustment of refunds granted

As per our report of even date

Por: P. C. HANSOTIA & CO.

14

(N. P. SARDA)

POP: THE MITSUI BANK LIMITED

844

(K, NAKANO). GENERAL MANAGER AND CREEF EXECUTIVE OFFICER — ENDIA

Dated: 22, April 1988

(INCORPORATED IN JAPAN WITH LIMITED LIABILITY)

Schedule 'A"

Schedule of Particulars of Advances required by the Banking Regulation Act, 1949 (Act X of 1949) annexed to and forming part of the Balance Sheet as at 31st December, 1987.

1986		PARTICULARS	1987	1986		PARTICULARS	1987
9,37,56,369.64	1.	Debts considered good in respect of which the banking company is fully secured	8.78,57,671.72		6	Debts due by companies or firms in which the directors of the banking company are interested as directors, partners or managing agents or in the	
	2.	Debts considered good for which		Nu		case of private companies, as members	Nu ·
4,40,14,456.81		the banking company holds no other security than the debtors' personal security	1,73,83,287.84		7	Maximum total amount of advances, including temporary advances made at any time during the year to direc- tors or managers or officers of the	-
	3.	Debts considered good, secured by the personal liabilities of one or more parties in addition to the		5,32,840.00		banking company or any of them either severally or jointly with any other persons	6,53,675.00
1,29,31,000.00		personal security of the debtors	3,14,11,803 94	1		Maximum total amount of advances.	1
Nu	4.	Debts considered doubtful or bad not provided for	NII	١.	6.	including temporary advances gran- ted during the year to companies or firms in which the directors of the banking company are inserested as	
	5.	Debts due by Directors or Officers of the banking company or any of them either severally or jointly with		Nü		directors, partners or in the case of private companies as members	NII
4,62,390.00		any other persons	6,50,295.00	NIT	9.	Due from Banking Companies	NU

### Auditors' Report

We have sudied the attached Balance Sheet of the Bombay Branch of The Nitsui Bank Limited, as at 31st December, 1967 and also the Profit & Loss Account of the Branch for the year ended on that date, annexed thereto, and report that:

- We have obtained all the information and explanations which to the best of our innovinege and belief were necessary for the purpose of our audit;
- In our opinion, proper books of accounts as required by law have been kept by the Branch so far as appears from our examination of those books;
- c. The Balance Sheet and Profit & Loss Account of the Bombay Branch of the Bank dealt with by this report are in agreement with the books of account;
- d. The bank has disputed and preferred appeals against tax demands of various assessment years. The net amount of tax demands after adjustment of refunds granted and interest clarged/granted works out to its 11.15 lakks. A sum of Re. 7,76,858/-

has been paid in Pebruary, 1988 by the bank under protest against the above demands. In addition to the above demands, the income tax department has preferred appeals to the higher appellate authorities against the appellate orders in favour of the bank. In the event of the bank losing in respect of the above mentioned appeals filed by the income tax department, additional contingent liability is estimated at Rs. 100.35 lakts. No provision has been made in the accounts in respect of the above contingent liabilities.

c. In our opinion and to the best of our information and according to the explanations given to us, the said accounts subject to our remarks to paragraph (d) above, give the information required by the Companies Act, 1956 in the manner so required for Banking Companies and on such basis, the said Baiance Sheet gives a true and fair view of the state of affairs of the Bombay Branch of the Bank as at 31st December, 1967 and the Profit & Lois Account gives a true and fair view of the Profit of the Branch for the year-ended on that date.

Por: P. C. HANSOTIA & CO
Chartered Accountants.

8d/(N. P SARDA)

Bombey Dised: 22, April 1988

## Low Level Radiation and Cancer

Arjun Makhijani

S D SOMAN's reply (EPW, January 16, 1988 to my criticisms (EPW October 31, 1987) is, if anything, worse than the original article which purports to present evidence from cancer data in five Indian cities that radiation exposure might reduce cancer incidence and mortality. Let me take up the points that Soman makes in his reply.

With regard to internal doses I had pointed out that Nambi and Soman "ignored internal doses and the variations of these doses between the cities and within each city". I do not think that this means that they have not used the words 'internal dose' in their study somewhere. They did, as Soman says, include a 'notional internal dose' by assuming that the internal dose was "the same magnitude as the external dose" without any actual measurements or data whatsoever. To assume this in the context of correlation calculations is meaningless, since the correlation coefficient (estimate for r2) is unchanged if one changes all the data points of one variable by a constant multiplicative factor-in this case by a factor of two. The point is that the real internal doses were ignored. In doing so, the all important differences in internal doses that people receive between citles and in various locations within each city were also ignored.

Sunilarly, with the question of tobaccochewing, I had explicitly said that the "chewing of pan and tobacco must vary considerably between the citles." Ignoring these variations in tobacco-chewing in the principal correlation calculations even though it is acknowledged to be a major cause of cancer in India makes the correlations derived from external radiation variations essentially meaningless.

I had also explicitly said that the fact that "sex ratios in Indian cities vary considerably" needs to be taken into account. Yet Nambi and Soman simply assumed a sex ratio of 1.0 for all cities and proceeded with their statistical calculations. This assumption is in error by almost 70 per cent for Bombay.

Soman contends that the "correlations are strictly valid for the range of exposures which can be found in the natural backgrounds... and any attempt to extrapolate it to zero cancer levels is not warranted." But Nambi and Soman themselves committed this unwarranted act in their article, as can be seen clearly from the graph reproduced below from their article. This graph shows a zero rate for cancer cases in hospitals at a dose rate of about 1,300 microsieverts per year. This is well within the range of natural background exposures, it is less than the highest level of external radiation shown in

that very graph (the largest radiation reading for Andhra Pradesh).

The other graph indicates aimost zero cancer death rate at under 900 microsieverts per year. Here Nambi and Soman did not extrapolate to a zero cancer death rate, but nearly so. The regression line in question is also reproduced below from their paper. Moreover, this implied dose for an extrapolation to a zero death rate is also well within the natural background range under consideration.

One interpretation of these data of Nambi and Soman is that the level at which radiation begins to increase cancer risk is well within the range of radiation levels for which they hypothesise a beneficial effect for radiation. This is because the curve should bend upwards showing a positive correlation between radiation doses and cancer rates well before the rates go to zero. They failed to consider this in their paper

The most favourable point and one which affects hypothesis about cancer incidence rates most is the data point for Madras. This city is shown as having a high level of background radiation and a low level of cancer incidence. If one omits this point then one finds that there is no correlation between the reported external radiation levels and the aga-adjusted cancer incidence rates ( $r^2 = 0.03$ ). It is only the inclusion of Madras which changes the correlation coefficient to  $r^2 = 0.5$ , which is still a weak correlation.

One must also remember that there are only five data points here. A regression calculation with so few data points is generally statistically questionable, unless the correlation is very strong and the data very good. When there are so many problems with the data and with the analysis, a weak correlation such as Nambi and Soman have represented is essentially meaningless.

### **CANCER AND POLLUTION**

Soman claims that "age-adjusted cancer incidence rates in Pune and Bombay have remained within +/-5 per cent over the last 10-20 years. There seems to be little influence of pollutants, as the auto emissions and industrial pollutants should have gone up considerably over this period." Thus, Soman appears to be implying that Industrial and vehicular pollution doesn't seem to cause cancer. For a scientist to make an assertion about a serious public health Issue in this off-hand manner is shocking and irresponsible.

The reported constant cancer rate in the face of the massive increases in pollution in

Pune and Bombay should first of all cause serious inquiry into the data on cancer incidence rates. Most people in India, including Pune and Bombay do not die in hospitals, with clearly recorded death certificates and causes of death. Rather, they die at home, with the specific cause of death often being unknown. Autopsies are very rare. Under such circumstances, it is very difficult to track the growth of cancer incidence and mortality and the data are very likely to be poor.

Even in the United States, where the vast majority of deaths occur in hospitals, the cause of death as recorded in death certificates is in error a substantial fraction of the time when compared to autopsy data.

Autopsies are quite common in the US and are carried out at a rate of about 14 per cent nationally. The New England Journal of Medicine recently editorialised that the data on cause of death in death certificates are faulty often enough that until autopsy findings are incorporated "into the database of mortality statistics. reliance on the diagnoses listed in death certificates will continue to lead to inaccurate statistics on the incidence and nature of lethal disease processes." The editorial cited the following example in support:

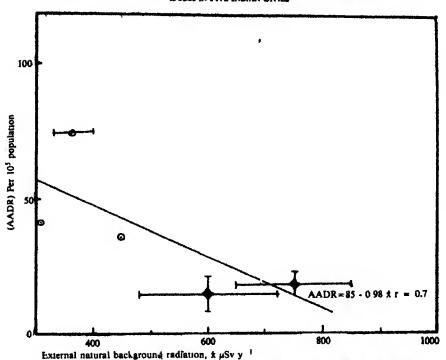
In the rush to complete the death certificate, there may not be sufficient time to analyse the available information to establish an accurate diagnosis. For example, among patients with lung cancer, one study reported an 'incorrect diagnosis' rate of 49.1 per cent; in another study there was a 'true error' of 5 per cent.

One investigation of the accuracy of death certificates as compared to the autopsy findings of the same persons revealed that "in 29 per cent of the deaths [there was] a major disagreement on the underlying cause of death" between the death certificate and the autopsy (emphasis added).<sup>2</sup>

With such enormous discrepancies even in the US, where substantial resources are devoted to death certificates and autopsies, the discrepancies in India-can be expected to be much greater. Thus, statistics which claim that the rate of cancer has not increased in Bombay should be treated with great caution and with considerable reflection, rather than in the cavalier manner in which Soman has cited them.

Apart from the likelihood of severely incomplete data, there are several possible hypotheses which could contribute to explaining the statistics. For instance, the data of reported cancer comes mainly from hospitals. The constancy of the rate could mean that the capacity of hospitals to treat cancer patients has increased more in step with the population of Bombay and Pune, rather than in proportion to the incidence of cancer, One observation that one might cite in support of this hypothesis is that

GRAPHI: CANCER INCIDENCE AND MORTALITY RATES VERSUS NATURAL BACKGROUND RADIATION DOBES IN FIVE INDIAN CITIES



AAR = age-adjusted cancer incidence rates. AADR = age-adjusted cancer death rates. Source. Health Physics, May 1987, Volume 52, Number 5

public hospitals in cities like Bombay are generally so full that they must often turn away patients.

Another observation we need to make is that the cancer incidence rates observed In the last '10 to 20 years' would generally reflect environmental factors one to three decades prior to that. The increases in pollution during the last ten to twenty years will only be reflected in epidemiological data of the 1990s and into the next century. This is because there is a substantial time laggererally more than one decade—between exposure to pollutants and the onset of the cancer which pollution may cause.

Finally, there is a discrepancy between the Soman's claim that the age adjusted cancer incidence rates for Pune and Bombay have remained within +/-5 per cent for 10 to 20 years in his reply and the statement made in the Nambi and Soman paper that for "Bombay and Pune [cancer incidence] data are available for 10 and 5 y[ears] respectively," and that the age adjusted cancer incidence rates "are found to be stabilised within about +/-5 per cent." This is a factor of 2 lower than the 10 to 20 years he citea in his reply. Which is right?

Soman cites papers presented in the same issue of Health Physics (May 1987), but only those which might support his hypothesis, and even here the conclusions of these authors are not accurately represented. The issue contains 5 papers with data on human beings addressing the hypothesis that lew level radiation might have beneficial effects (called 'radiation hornesis'). Of these one

is that of Nambi and Soman. A second, examining the effects of radiation on the survivors of Hiroshima and Nagasaki concluded the analysis "failed to suggest the existence of radiation hormesis". In fact, recent re-evaluations of the effects of the radiation exposure on the survivors indicates that the incidence of cancer per unit exposure to radiation may be considerably higher than previously assumed.

Another paper presents data on cancer incidence among radiologists. The data are so incomplete and anomalous, that the authors could not come up with any consistent hypothesis about the relative incidence of cancer among radiologists compared to doctors in other specialisations.

The article on exposure to radon concludes that the harmful effects of exposure to radioactive radon gas present in homes may be overestimated by 'at least a factor of four' by the commonly used 'linear doseresponse' hypothesis. It does not claim that radon exposure might be beneficial. In fact, the author rejects Nambi and Soman's kind of sweeping claims about the effects of radiation in the very first sentence of his paper:

It has long been recognised that the Rocky Mountain states, where external natural radiation is 1.5 times, the national average, have substantially below-average cancer rates and it has been claimed that this means that low-level radiation is not carcinogenic. Such claims are invalid, because this excess radiation is expected to increase cancer rates by less than 0.5 per cent, whereas cancer rates

are well known to fluctuate by 25 per cent due to other unknown causes, leaving the natural radiation effects lost in the noise.<sup>8</sup>

As this is the only paper in the issue discussing radon exposures, I must assume that this is the paper to which Soman refers when he claims that a paper in the same issue supports his hypothesis of regarding the supposed beneficial effects of radiation. In that case Soman has made an irresponsible representation of someone else's conclusions.

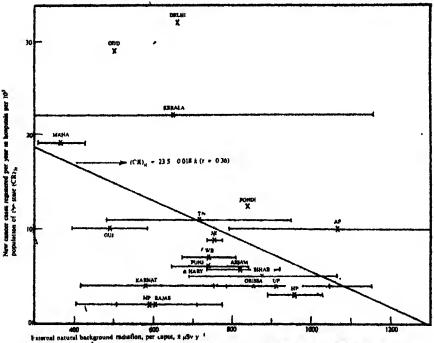
Moreover, even as the author of this paper, Bernard Cohen, asserted that the negative effects might be much lower than previously thought, he at least cited contrary evidence showing substantial increases in lung cancer due to radon gas exposure.

In fact, the only study which tracked people for a long time, which has actual data on radon gas levels in their homes, and which was controlled for cigarette smoking has been done in Sweden. This study reported a smoking-adjusted odds ratio of 3.9 for lung cancer when comparing the most exposed to the least exposed, with the 90 per cent confidence interval for the ratio being 1.5 to 10.9

The National Academy of Sciences of the US has, in its most recent investigation of the radon exposure problem, concluded that, apart from smoking, radon is probably the most important cause of lung cancer in the US. The National Academy study also gives explicit figures for increased lung cancer risk which are below the levels of radiation which Nambi and Soman hypothesise may lower cancer risk. 10

The last paper to deal with the question of hormesis in the issue examines the data on workers exposed to plutonium. This paper presents some data showing that lung cancer rates are lower in workers than in the general population and tries very hard to imply that plutonium workers might have benefited from their exposure. The author admits however, that his data were not adjusted for smoking, as these data are not available. Further, it is known that smoking is prohibited in the areas where plutonium handling is done, so that the time available to smoke is very limited, even if, as the author suggests, some workers smoke furiously during their breaks. Further, the upper limits of the ratios of cancers among workers to that in the general population at the 95 per cent confidence level were generally greater than I. Thus the data are not only missing an essential factorsmoking-neither are they strong enough to assert the presence of a beneficial effect of exposure to plutonium. Unlike Soman, the author himself is careful enough not to assert such a claim explicitly, even as a hypothesis. He only says that the rate of lung cancer among plutonium workers is "surprisingly low when compared to national averages." 11 Thus, in my view, Soman has misrepresented the author's conclusion in this case also. And this is quite apart from

GRAPH 2. CANCER REPORTING RATE IN HORPITALS VEHILS NATURAL BACKGROUND RADIATION PER CAPUT -- STATEWISS DISTRIBUTION IN INDIA



ODD = Gos, Dis and Dansan; MAMA = Makarashtra, POND1 = Pondicherry, FN = Tainti Nadu, OUI = Oujarat AP = Andhra Pradesk; JK = Jamesu and Kashmir, WE = West Bengal, PUN1 and HARY = Punjab and Harvans KARNAT = Karnesske; UP = Utter Pradesh, HP = Hiranchial Pradesh, MP = Modhya Pradesh, and RAIAS = Rajasthas Source Health Physics May 1967, Volume 52 Number 5

the merit or lack thereof of this paper's analysis of the data.

I had said that the radiation doses cited by Nambi and Soman "need to be adjusted for the amounts of time that many of the people in the citles spend in their villages." Soman responds that "adjustments for time spent outside the city on vacations (1 e, a small fraction of the population moving from high to low background areas or vice versa) are not really necessary." I wasn't thinking of the small fraction of the population which can afford vacations. I was writing of that bigger number of people who spend a large fraction of the year in 'their villages' due to various reasons-for example, for work during planting or harvesting seasons. This may not be a trivial adjustment.

Soman also claims that "radon exposures Inside houses are quite low." There is practically no data on this for India, so far as I know, and Soman has not cited any. He just asserts that "most of the Indian houses are well ventilated." Has he never been inside a hut in one of the Jhopadpattis in Bombay? It might have been quite instructive and convenient for better research for the scientistgentlemen of Bhabha Atomic Research Centre had the 'Janata colony' not been demolished during the emergency and its people moved: so far away from BARC. Moreover, radon exposure is much greater at the ground level—the level of huts than in upper stories—the levels of the better-off. The same goes for poorly-ventilated huts compaired to better ventilated flats. The Nambi and Soman paper has not adjusted for radon exposure, and for variations in its period.

### **HEALTH PHYSICS JOURNAL**

Having failed to do his scientific research carefully, Soman finally implies that my criticism of his research should not be accorded credibility since it might not have been subjected to 'peer-review' or presented at a conference. It is often useful to have one's work reviewed by others, including other scientists. However, in the case of the journal Health Physic's this would be of dubious value, as indeed was the case with the review which Nambi and Soman's research was given.

Health Physics is a journal which has achieved some fame (or notoriety, if you prefer) for generally supporting the nuclear industry. For example, in September 1981, it published a paper which took as its premise that 90 per cent of the people of the US would survive an all-out nuclear war between the US and the Soviet Union. It then considered the question of how to minimise cancer deaths in the US after such a war and suggested that one way to achieve this would to send the older people outside the shelters to do work, such as cleaning up radioactive debris, while the younger people stayed inside. That older people eat the more radioactive food was also suggested as a way of minimising cancer deaths, in this surreal and immoral paper, replete with poor science.12 But it passed peer-review, I presume.

1 am not intimately familiar with the history of Health Physics so I, interviewed Karl Z Morgan, one of the founders of the US Health Physics Society which publishes the journal Health Physics. Morgan was the first president of the Health Physics Society and the first editor-in-chief of Health Physics. He is now retired—and not much

loved by the nuclear industry as the reader will understand from the quote below:

The Health Physics Society and the Health Physics journal were established to protect the health of workers and the public. The Health Physics journal is now pro-nuclear—it has moved to where the money is. It seems that the main purpose of most of those who are in the profession of health physics today is the protection of their paychecks and their employers. <sup>13</sup>

The question of the health effects of exposure to low-level radiation is a very complex and difficult one. For that reason, among others, it has remained the subject of great controversy for quite some time. Since we do not know for certain what the exact dose-response relationships are at low levels of radiation, and since there is considerable evidence that low-level radiation is harmful, prudent public health policy dictates that we make conservative assumptions in setting radiation exposure standards both for workers and for the general public. For the same reasons, research in this area should be very carefully done, screening for the relevant variables, and taking the important facts into account. The kind of research that Nambi and Soman have done is a waste of resources, at best. At worst, it is unscientific and irres nsible.

### Notes

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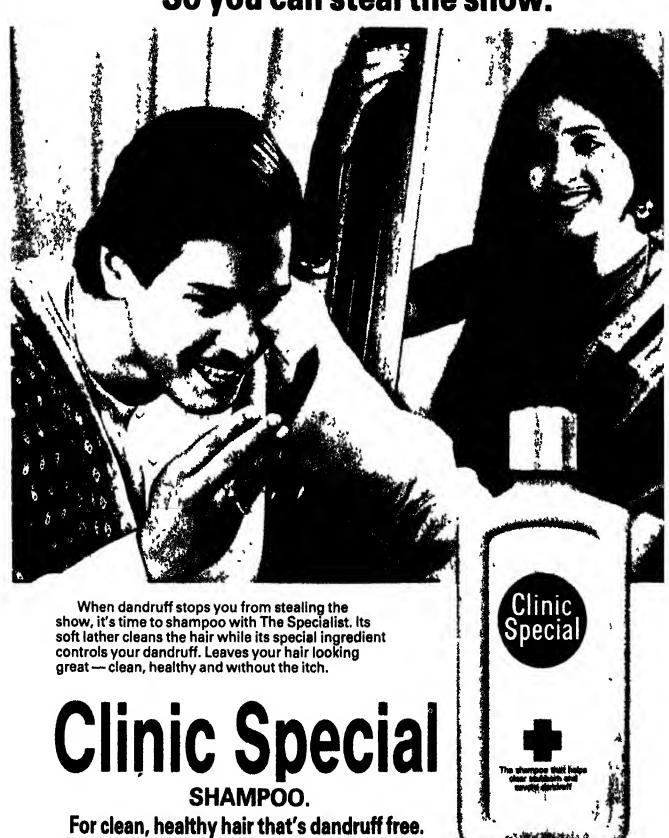
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